

22 October 2001

ENGLISH ONLY*

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

CONFERENCE OF THE PARTIES

Seventh session

Marrakesh, 29 October – 9 November 2001

Item 3 (b) (iii) of the provisional agenda

**IMPLEMENTATION OF THE BUENOS AIRES PLAN OF ACTION: ADOPTION
OF THE DECISIONS GIVING EFFECT TO THE BONN AGREEMENTS**

**DRAFT DECISIONS FORWARDED FOR ELABORATION, COMPLETION AND
ADOPTION**

**WORK PROGRAMME ON MECHANISMS (DECISIONS 7/CP.4
AND 14/CP.5)**

Submissions from Parties

Note by the secretariat

1. A submission has been received from Belgium on behalf of the European Community and its Member States, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia and Switzerland on Article 6 of the Kyoto Protocol.
2. In accordance with the procedure for miscellaneous documents, this submission is attached and reproduced in the language in which it was received and without formal editing.

* In order to make this submission available on electronic systems, including the World Wide Web, it has been electronically imported. The secretariat has made every effort to ensure the correct reproduction of the text as submitted.

SUBMISSION BY BELGIUM ON BEHALF OF THE EUROPEAN COMMUNITY AND ITS MEMBER STATES, BULGARIA, CROATIA, CZECH REPUBLIC, ESTONIA, HUNGARY, LATVIA, LITHUANIA, POLAND, ROMANIA, SLOVAKIA, SLOVENIA, AND SWITZERLAND ON:

ARTICLE 6 OF THE KYOTO PROTOCOL

Belgium, on behalf of the European Community and its Member States, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia, and Switzerland would like to stress the importance it attaches to a further development of technical issues under Article 6. In this context the European Community and its Member States, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia, and Switzerland welcome the invitation of the Chairman of the Negotiating group on Mechanisms and would like to recall its proposals that were made in the course of the resumed session of COP 6 and discussed in the drafting group on Eligibility Requirements and Joint Implementation established by the chair of the Negotiating group on Mechanisms (*FCCP/CP/2001/CRP.11, p. 14-15*).

- APPENDIX A Standards for the accreditation of independent entities.

1. An independent entity shall:

- (a) Be a legal entity (either a domestic legal entity or an international organization) and provide documentation of this status to the Article 6 Supervisory Committee;
- (b) Employ a sufficient number of persons having the necessary competence to perform verification functions relating to the type, range and volume of work performed, under a responsible senior executive;
- (c) Have the financial stability, insurance coverage and resources required for its activities;
- (d) Have sufficient arrangements to cover legal and financial liabilities arising from its activities;
- (e) Have documented internal procedures for carrying out its functions including, among others, procedures for the allocation of responsibility within the organization and for handling complaints; these procedures shall be made publicly available;
- (f) Have the necessary expertise to carry out the functions specified in this and relevant decisions by the COP/MOP, in particular have sufficient knowledge and understanding of:
 - (i) The guidelines for the operation of JI, relevant decisions of the COP/MOP and of the Article 6 Supervisory Committee;
 - (ii) Environmental issues relevant to verification of JI projects;
 - (iii) The technical aspects of JI activity relevant to environmental issues, including expertise in the setting of baselines and monitoring of emissions
 - (iv) Relevant environmental auditing requirements and methodologies;

(v) Methodologies for accounting of anthropogenic emissions by sources and/or anthropogenic removals by sinks;

(g) Have a management structure that has overall responsibility for performance and implementation of the entity's functions, including management reviews, and decisions on verification. The applicant independent entity shall make available to the Article 6 Supervisory Committee:

- (i) The names, qualifications, experience and terms of reference of the senior executive, board members, senior officers and other personnel;
- (ii) A structure chart showing lines of authority, responsibility and allocation of functions stemming from the senior executive;
- (iii) Its policy and procedures for conducting management reviews;
- (iv) Administrative procedures including documents control;
- (v) Its policy and procedures for the recruitment and training of independent entity personnel, for ensuring their competence for verification functions, and for monitoring their performance;
- (vi) Its procedures for handling complaints, appeals and disputes;

(h) Not have pending any judicial process for malpractice, fraud and/or other activity incompatible with its functions as a designated independent entity.

2. An applicant independent entity shall meet the following operational requirements:

(a) Work in a credible, independent, non-discriminatory and transparent manner, complying with applicable national law and meeting, in particular, the following requirements:

- (i) An applicant independent entity shall have a documented structure, which safeguards impartiality, including provisions to ensure impartiality of its operations;
- (ii) If it is part of a larger organization, and where parts of that organization are, or may become, involved in the identification, development or financing of any JI project, the applicant independent entity shall:
 - Make a declaration to the Article 6 Supervisory Committee of all the organization's actual and potential JI activities
 - Clearly define to the Article 6 Supervisory Committee the links with other parts of the organization, demonstrating that no conflicts of interest exist;
 - Demonstrate to the Article 6 Supervisory Committee that no actual or potential conflict of interest exists between its functions as an independent entity and any other functions that it may have, and demonstrate how business is managed to minimize any identified risk to impartiality. The demonstration shall cover all potential sources of conflict of interest, whether they arise from within the applicant independent entity or from the activities of related bodies;
 - Demonstrate to the Article 6 Supervisory Committee that it, together with its senior executive and staff, is not involved in any commercial, financial and other processes which might influence its judgement or endanger trust in its independence of judgement and integrity in relation to its activities, and that it complies with any rules applicable in this respect;

(b) Have adequate arrangements to safeguard confidentiality of the information obtained from JI project participants in accordance with provisions contained in this annex.

- APPENDIX B Criteria for baseline setting and monitoring.

1. Monitoring:

Project participants shall include, as part of the project design document, a monitoring plan that provides for:

(a) The collection and archiving of all relevant data necessary for estimating or measuring anthropogenic emissions by sources and/or anthropogenic removals by sinks of greenhouse gases occurring within the project boundary during the crediting period;

(b) The collection and archiving of all relevant data necessary for determining the baseline of anthropogenic emissions by sources and/or anthropogenic removals by sinks of greenhouse gases within the project boundary during the crediting period;

(c) The identification of all potential sources of, and the collection and archiving of data on increased anthropogenic emissions by sources and/or reduced anthropogenic removals by sinks of greenhouse gases outside the project boundary that are significant and reasonably attributable to the project during the crediting period;

(d) Quality assurance and control procedures for the monitoring process;

(e) Procedures for the periodic calculation of the reductions of anthropogenic emissions by sources and/or enhancements of anthropogenic removals by sinks by the proposed JI project, and for leakage effects;

(f) Documentation of all steps involved in the calculations referred to in subparagraphs (c) and (e) above.

Revisions to the monitoring plan require justification by project participants that the revisions improve the accuracy and/or completeness of information.

The implementation of the monitoring plan and its approved revisions, as applicable, shall be a condition for verification.

2. Criteria for baseline setting:

The baseline for a JI project is the scenario that reasonably represents the anthropogenic emissions by sources or anthropogenic removals by sinks of greenhouse gases that would occur in the absence of the proposed project. A baseline shall cover emissions from all gases, sectors and source categories listed in Annex A and anthropogenic removals by sinks within the project boundary.

A baseline shall be established:

- (a) In a transparent manner regarding the choice of approaches, assumptions, methodologies, parameters, data sources, key factors and additionality;
- (b) Taking into account relevant national and/or sectoral policies and circumstances, such as sectoral reform initiatives, local fuel availability, power sector expansion plans, and the economic situation in the project sector;
- (c) In such a way that ERUs cannot be earned for decreases in activity levels;
- (d) Taking account of uncertainties and using conservative assumptions;

Project participants shall justify their choice of baseline.

Complementary and directly related to the above the following amendments were tabled in the drafting group by the EU at the resumed session of COP 6 and are presented below for the sake of completeness:

Draft Decision - /CP.6 (Article 6) (page 5, CRP.11)

Add a new Paragraph 1 bis:

Requests the Subsidiary Body for Scientific and Technological Advice to further elaborate Appendix B to the annex to the decision referred to in paragraph 2 below, taking fully into account work from the executive board of the clean development mechanism, as appropriate, for consideration and adoption by the Conference of the Parties at its 8th session;

Draft Decision - /CMP.1 (page 5, CRP.11)

Paragraph 3 could be deleted (see new paragraph 1 bis above)

ANNEX to the Decision - /CMP.1. (page7, CRP.11)

- Proposed amendments to paragraph 3, Section C (page 7 and 8, CRP.11):

3. The Article 6 supervisory committee shall be established by the COP/MOP to supervise the verification of ERUs referred to in section E and be responsible for:

- (a) Reporting on its activities to each session of the COP/MOP;
- (b) The accreditation of independent entities in accordance with standards and procedures contained in Appendix A below;
- (c) ~~The elaboration~~ review and revision of the standards and procedures for the accreditation of independent entities in Appendix A below, for consideration by the COP/MOP, as appropriate, taking fully into account relevant work of the executive board of the clean development mechanism (CDM);

- ~~(d) The elaboration of reporting guidelines and criteria for baselines, monitoring, and crediting periods in Appendix B below, for consideration by the COP/MOP, taking fully into account relevant work of the executive board of the CDM;~~
- (e) The review procedure set out in paragraph 36;
- (f) The elaboration of its rules of procedure, for consideration by the COP/MOP, taking fully into account those of the executive board of the CDM.
