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CONFERENCE OF THE PARTIES

Fourth session

Buenos Aires, 2-13 November 1998

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

**MATTERS RELATED TO THE KYOTO PROTOCOL**

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

**ARTICLE 6 OF THE KYOTO PROTOCOL**

**ARTICLE 12 OF THE KYOTO PROTOCOL**

**ARTICLE 17 OF THE KYOTO PROTOCOL**

**Draft decision by the Chairmen of the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation and draft proposal by the co-chairs of the contact group on mechanisms**

At their ninth sessions, the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation decided to forward to the Conference of the Parties at its fourth session the draft decision by the Chairmen of the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation on the work programme on mechanisms, contained in annex I to this document, and the draft proposal by the co-chairs of the contact group on mechanisms entitled "Initial work programme on mechanisms of the Kyoto Protocol", contained in annex II.

Annex I

**DRAFT DECISION BY THE CHAIRMEN OF THE SUBSIDIARY BODY FOR  
SCIENTIFIC AND TECHNOLOGICAL ADVICE AND THE  
SUBSIDIARY BODY FOR IMPLEMENTATION**

**Work programme on mechanisms**

*The Conference of the Parties,*

*Recalling* Articles 3, 6, 12 and 17 of the Kyoto Protocol,

*Recalling* decision 1/CP.3, paragraph 5, concerning the consideration by the Conference of the Parties, at its fourth session, of matters contained in that paragraph, particularly in paragraph 5 (b), (c) and (e),

*Further recalling* decision 1/CP.3, paragraph 6, inviting the Chairmen of the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation to make a joint proposal on the allocation to them of preparatory work to enable the Conference of the Parties serving as the meeting of the Parties to the Protocol, at its first session after the entry into force of the Protocol, to accomplish the tasks assigned to it by the Protocol,

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

1. *Invites* Parties to submit further proposals on principles, modalities, rules and guidelines for all mechanisms by the end of February 1999, which, along with all earlier submissions made by Parties, will form the basis of discussion at expert workshops convened by the secretariat before 15 April 1999;

2. *Requests* the secretariat to convene such expert workshops focusing on methodological and technical issues, beginning with a workshop on the clean development mechanism;

3. *Further invites* Parties to submit proposals with decision text on principles, modalities, rules and guidelines for all mechanisms by 1 May 1999;

4. *Requests* the Chairmen of the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation, supported by the secretariat, to compile, on the basis of submissions by Parties and the reports of the expert workshops, a draft document with proposed negotiating text for initial consideration by the subsidiary bodies at their tenth sessions;

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

5. *Further requests* the subsidiary bodies to review progress on the elaboration of principles, modalities, rules and guidelines of each of the mechanisms at their tenth and eleventh sessions, with a view to making recommendations to the Conference of the Parties, as appropriate, and for action by the Conference of the Parties serving as the meeting of the Parties at its first session;

6. *Requests* the secretariat to support the work of the subsidiary bodies by undertaking the necessary preparatory work on methodological and technical, institutional and process-related issues, building upon inputs received from Parties, bearing in mind linkages among the mechanisms and between mechanisms and other issues related to the Convention and the Protocol, and drawing upon relevant contributions from United Nations agencies, intergovernmental and non-governmental organizations in a manner that promotes coordination and cooperation and the effective use of scarce resources;

7. *Requests* the secretariat to prepare, for consideration by the subsidiary bodies at their tenth sessions, a plan for facilitating capacity building for non-Annex II Parties on all mechanisms, with special attention being paid to the needs related to the participation of non-Annex I Parties in the clean development mechanism.

Annex II

**[DRAFT PROPOSAL BY THE CO-CHAIRS OF THE CONTACT GROUP  
ON MECHANISMS**

**Initial work programme on mechanisms of the Kyoto Protocol<sup>2</sup>**

<b>Provi- sions in the KP</b>	<b>Elements</b>	<b>Priori- tiza- tion</b>	<b>Sub- sidiary Bodies</b>	<b>COP5</b>	<b>COP6</b>	<b>COP/ MOP</b>
	<b>General</b>	<b>1</b>	SBSTA /SBI			
	(1) Application of existing principles (2) Nature and scope of the mechanisms (3) Equity and transparency (4) Supplementarity (5) Climate change effectiveness (6) Institutional framework (7) Capacity building (8) Adaptation (9) Compliance					
	<b>Article 12 - clean development mechanism (CDM)</b>	<b>1</b>				
	<u>Basic</u>		SBSTA /SBI			
12.2	(1) Purpose of CDM projects					
3, 12.2	(2) The "part of" commitments under Art. 3					
12.2	(3) Compatibility with sustainable development priorities/strategies					
12.2	(4) Special needs of least developed countries					
12.2	(5) Criteria for project eligibility					
12.8	(6) Adaptation					

<sup>2</sup> The existence of elements in this list is without prejudice to inclusion of these items in the rules, modalities and guidelines developed for these mechanisms.

Provisions in the KP	Elements	Prioritization	Subsidiary Bodies	COP5	COP6	COP/MOP
12.2, 12.7	(7) Transparency, non-discrimination, prevention of distortion of competition					
	<u>Methodological and Technical</u>		SBSTA			
12.3 (b), 12.5 (c), 12.5 (b), 12.5, 12.5 (c), 12.3(a), 12.9, 12.7, 12.5, 12.7, 12.1, 3.3 & 3.4	(8) "Part of " Annex I commitments (9) Additionality criteria in project funding (10) Criteria for real, measurable and long-term benefits related to climate change (11) Criteria for certification (12) Criteria for project baseline (13) Definition of the concept of certified emission reductions (14) Systems for independent auditing and verification of project activities (15) Format for reporting (16) Implication of Art. 12.10 of the Kyoto Protocol, including implications for a possible interim phase approach of the CDM (17) Outcome of methodological work on Art.s 3.3 and 3.4					
	<u>Process</u>		SBI			
3, 12, 12.9, 12.10, 12.8, 12.8, 12.6, 12.8	(18) Acquisition and transfer of certified emission reduction units (19) Determination of share of proceeds for adaptation (20) Determination of share of proceeds for administration (21) Criteria and procedures for arranging funding for certified project activities (22) Criteria and procedures for assisting developing country Parties that are particularly vulnerable to meet adaptation costs					

Provisions in the KP	Elements	Prioritization	Subsidiary Bodies	COP5	COP6	COP/MOP
12.2	(23) Approval by involved Parties of sustainable development					
	<u>Institutional</u>		SBI			
12.4	(24) Authority and guidance of the COP					
12.4	(25) Accountability of the Executive Board to the COP/MOP					
12.4, 12.5, 12.6, 12.7, 12.8, 12.9	(26) Functions of, relationship among and operational procedures of the COP, COP/MOP. the executive board and operational entities					
12.4, 12.7	(27) Executive board - constitution, composition, and functions - membership and rules of procedure, provisions for institutional and administrative support,					
12.9	(28) Guidance regarding involvement of public and/or private entities,					
12.5, 12.7	(29) Operational entities - identification/designation/accreditation; monitoring/auditing of operational entities					
12.2	(30) Responsibility of Parties					
<b>Article 6 projects</b>		<b>2</b>				
	<u>Basic</u>		SBSTA/SBI			
6.1	(1) Criteria for Art. 6 projects					
6.1(d)	(2) "Supplemental to domestic action"					
6.1	(3) Transparency					
	<u>Methodological and Technical</u>		SBSTA			
6.1	(4) Criteria for project baselines					
6.1(b)	(5) Assessment of additionality					
6.2	(6) Verification and reporting					

Provisions in the KP	Elements	Prioritization	Subsidiary Bodies	COP5	COP6	COP/MOP
8.4	(7) Guidelines for review of implementation of Art. 6 by expert review teams					
6.2	(8) Guidelines for monitoring, reporting, verification					
3.3, 3.4	(9) Outcome of methodological work on Art. 3.3 and 3.4					
	<u>Process</u>		SBI			
6.1(a)	(10) Process for approval by Parties involved in projects					
6.1(c),	(11) Acquisition and transfer of emission reduction units					
3.10,						
3.11,						
6.3, 6.4						
6.3	(12) Authorization of legal entities					
8.4	(13) Process for reviewing Art. 6 according to Art. 8.4					
6.4, 16,	(14) Consequences of non-compliance					
18						
6.1	(15) Process for assessing compliance with Art. 5 and 7					
	<u>Institutional</u>		SBI			
6.2	(16) Role of COP/MOP, SBSTA and SBI					
6.2	(17) Elaboration of guidelines as per Art. 6.2					
6.3.	(18) Involvement of legal entities					
	<b>Article 17 - emissions trading between Parties included in Annex B</b>	<b>3</b>	SBSTA /SBI			
17	(1) Basis of rights and entitlements for emissions trading of Parties included in Annex B					
17	(2) Determination and creation of such rights and entitlements					

Provisions in the KP	Elements	Prioritization	Subsidiary Bodies	COP5	COP6	COP/MOP
3, 17	(3) "Supplemental to domestic action"					
17, Conv	(4) Conformity with the principle of equity in the Convention					
3, 17	(5) Real and verifiable reduction of GHG emissions					
17	(6) Elements of principles, modalities, rules and guidelines for emissions trading					
17	(7) Elaboration of principles, modalities, rules and guidelines					
17	(8) Matters relating to verification, reporting and accountability					

**Note on Prioritization:** Work relating to CDM shall be carried out on a priority basis, before the entry into force of the Kyoto Protocol. Work relating to Art. 6 may be carried out to enable decision by COP/MOP I. Work relating to Art. 17 may follow.

**N. B.:** Additional items can be added to the Initial Work Programme on Mechanisms of the Kyoto Protocol.

### Provisions concerning the organization of work

Parties are invited to submit proposals containing options for the design, development and operation of the mechanisms by [15 March 1999] for inclusion in a miscellaneous document to be considered by SBSTA and/or SBI, as specified in the Initial Work Programme on Mechanisms, at their tenth sessions as a basis for advancing the elaboration of the mechanisms, as appropriate;

The secretariat is requested to support the work of the subsidiary bodies by undertaking the necessary preparatory work on methodological and technical, institutional and process-related issues,

- building upon inputs received from Parties,
  - bearing in mind linkages among the mechanisms and between mechanisms and other issues related to the Convention and the Protocol, and
  - drawing upon relevant contributions from UN agencies, inter-governmental and non-governmental organizations in a manner that promotes coordination and cooperation and the effective use of scarce resources,
- and prepare the necessary documentation for SBSTA/SBI at their tenth sessions.]