

17 May 2000

ENGLISH ONLY

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE

Twelfth session

Bonn, 12-16 June 2000

Item 6 of the provisional agenda

SUBSIDIARY BODY FOR IMPLEMENTATION

Twelfth session

Bonn, 12-16 June 2000

Item 6 of the provisional agenda

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

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

Submissions from Parties

Note by the secretariat

Addendum

1. This addendum to document FCCC/SB/2000/MISC.1 contains four additional proposals on principles, modalities, rules and guidelines for the mechanisms under Articles 6, 12 and 17 of the Kyoto Protocol submitted by Parties in accordance with decision 14/CP.5 (FCCC/CP/1999/6/Add.1).

2. 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.

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

FCCC/SB/2000/MISC.1/Add.1

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PAPER NO. 1: BRAZIL

**Proposed Amendments for the text of the Chairman of the Mechanisms
Group**

Brazilian Submission

March 31, 2000

The following document presents amendments proposed by Brazil to the Chairman text that has as title "Note by the Chairman of the Contact Group on Mechanisms*"

The proposed amendments refer to the items of the text and the lines as provided in the copy distributed at the end of the last session of COP 5 in Bonn on the 5 November 1999.

1. Item 22 (a): delete the last sentence “Each ERU shall have a unique serial number from which it will be possible to determine the Party of origin, the project, the year of [issuance] [certification], [and the certifying entity], [and shall be trackable through the registry system].”
2. Item 22 (b) : delete the last sentence “Each CER shall have a unique serial number from which it will be possible to determine the Party of origin, the project, the year of [issuance] [certification], [and the certifying entity], [and shall be trackable through the registry system].”
3. Delete Item 22 (c).
4. Insert a new Item (22)bis (a) : “Each ERU shall have an ERU serial number and a written description of the Party of origin, the authorization for subtraction of the assigned amount signed by a designate national authority of the Party of origin, a description of the project, liabilities of the project, long-term liabilities in the case of a project aimed at enhancing anthropogenic removal by sinks in order to ensure that the project will contribute to the ultimate objective of the Convention, in particular the stabilisation of greenhouse in the atmosphere in the very long range, year of certification, certifying entity and date of issuance”
5. Insert a new Item (22)bis (b) : “Each CER shall have a CER serial number and a written description of the Party of origin, the official number of the letter of endorsement of the host country approving the project, the validating entity, a description of the project, liabilities of the project, long-term liabilities in the case of a project aimed at enhancing anthropogenic removal by sinks in order to ensure that the project will contribute to the ultimate objective of the Convention, in particular the stabilisation of greenhouse in the atmosphere in the very long range, year of certification, certifying entity and date of issuance”
6. Move (62) to (113)bis under a new heading “Ebis – Utilization of CERs” adding between the words “Party” and “acquires” the words “included in Annex I”
7. Item (63) (a) (iii) put in brackets “[Developed country Parties will fund]” and put in brackets “[which]”
8. Item (63) (a) (iv) add “activities” after the word “project”
9. Insert a new subitem (63)(a)(iv)bis “Parties may involve private and/or public entities in funding project activities. In return, private and/or public entities will obtain certified emission reduction accruing from CDM project activities.”
10. Item (63) (a) (v) put in brackets the word “[participating]”
11. Delete the last sentence in Item (63) (b) option 2 because it is already in item 146 (c)

12. Item (63) (c) option 2 replace the word “case” by “activity” (seventh line) and replace “bearing in mind” by “take fully into consideration” (eleventh line)
13. Item (63) (k): delete “advanced”
14. Item (63) (l) Option 1: delete “CERs cannot be sold”
15. Delete Item (63) (l) Option 2
16. Insert a new item (63) (l) Option 3 “Fungibility: The mechanism established under Article 12 is mutually exclusive to the mechanisms under Article 6 and Article 17. The mechanism under Article 12 is the only one involving at least one Party not included in Annex I.”
17. Item (63) (m): delete the second sentence “The COP/MOP of the Protocol shall ensure that a share of the proceeds from certified project activities is used to cover these costs.” It is already contained in (127) (c)
18. Item (63) (o): insert at the end of the item “and must contribute to the ultimate objective of the Convention, in particular the stabilisation of greenhouse gas concentrations in the atmosphere.”
19. Delete Item (64) Options 3 to 7
20. Delete Item (66) Option 2
21. Item (70) Option 2: delete “, with specific reference to Decision 1/CP3, article 5 subparagraph (e)”
22. Delete Item (70) Option 3
23. Insert a new Item (70) Option 4 “A Party not included in Annex I and legal entities resident in that Party may design, fund and implement CDM project activities. The CERs generated by such projects may be transferred to an Annex I Party or legal entities resident in that Party for the purpose of meeting its commitment under Article 3.”
24. Delete last sentence of Item (73) “In cases where no Party included in Annex I or entity resident in such a Party is involved, the host country assumes total responsibility for the project.”
25. Delete Item 75 Option 4 and Option 5
26. Delete Item 76bis
27. Item 78bis Option 1: replace “channeled through an existing ” by “managed by the” and replace “international institution to be determined by the COP/MOP” by “United Nations Development Programme”

28. Item 79 (b): delete “[by sources and/or an enhancement of removals by sinks] [, as noted Article 3 paragraph 3 and 4]”
29. Delete Item (79) (e) and Item (79) (g)
30. Item 80 Option 1: delete “until [the outcome of methodological work on Article 3, paragraphs 3 and 4, is reached] [the COP/MOP decides on the eligibility of CDM projects to enhance anthropogenic removals of greenhouse gases by sinks] [methods are developed allowing for reliable process assessment].”
31. Item 80 Option 2: replace the chapeau “Providing the proper UNFCCC methodology for the determination of a project-by-project baseline is defined, based on the recommendation of the Special Report on Land Use Land Use Change and Forestry and other relevant documents the UNFCCC may wish to consider, the following activities, *inter alia*, could be eligible for CDM projects:” by “Providing that methodologies in accordance with Article 5 paragraph 2 are used, the following activities, aimed at enhancing anthropogenic removals by sinks of greenhouse gases, shall be eligible as CDM project activities:”
32. Delete Item 80 Option 2 (a), Item 80 Option 2 (d) and Item 80 Option 2 (e)
33. Item 82: delete “[registration] [presentation]”
34. Item 83 Option 1: delete “[registered] [presented]”
35. Item 83 Option 2: delete “[registration] [presentation]” and insert after the words “project activity” (second line) the sentence in brackets “[to be approved by each Party involved as indicated by a letter of endorsement and report on the approved project]”
36. Item 84 Option 1: Delete “[registration] [presentation]” in the first and second lines
37. Item 84 Option 2 delete “[registered] [presented]”
38. Item 85 in the chapeau delete “[registered] [presented]”
39. Item 85 (a) put in brackets “It is approved by each Party involved as indicated by a letter of endorsement
40. Item 85 (i) delete “to commercially-viable investment and additional” in the first line
41. Item 86 Option 1: delete “This letter shall indicate how the project activity and its results” and Item 86 Option 1 (a), (b) and (c)
42. Delete Item 86 Option 3
43. Delete Item 86 Option 4

44. Insert (87)bis : "The baselines shall estimate the anthropogenic emissions by sources and removals by sinks of greenhouse gases that would occur in the absence of the project activity and shall reflect the most plausible scenario. The baseline and the anthropogenic emissions by sources and removals by sinks of greenhouse gases actually achieved by the CDM project activity shall be the basis for calculating the certified emission reductions."
45. Item 88 Option 2 delete second sentence "In some cases, in accordance with Appendix A, sectoral baselines and standard baselines for project categories for each host Party may be applied."
46. Delete Item 88 Option 3
47. Insert Item 88 Option 5: Baselines shall be established using methodologies defined in accordance with Article 5 paragraph 2, as described in Appendix A, and shall be determined solely on a project-by-project basis.
48. Insert new Item (88)bis : "The methodologies defined in accordance with Article 5 paragraph 2 shall also be the basis for calculating the annual anthropogenic emissions by sources and anthropogenic removals by sinks of greenhouse gases resulting from the project activity."
49. Insert new Item (88)ter : "The emission reductions of CDM project activities shall be calculated annually by the difference between the baseline and the anthropogenic emissions by sources and anthropogenic removals by sinks resulting from the project activity and shall represent the environmental benefit of the project activity related to climate change mitigation. A project activity shall be considered additional in the case of such differences being positive during the lifetime of the project activity."
50. Insert new Item (89) (a) bis : "assess the anthropogenic emissions by sources and anthropogenic removals by sinks of greenhouse gases of the project activities:"
51. Delete Item (91) Options 1 and 2.
52. Insert new Item (91) Option 3: "Project activities initiated before the first COP/MOP and after the procedures and mechanisms of CDM have been agreed upon by COP shall be eligible for consideration as a CDM project activity. Such project activities shall be validated only after Provisional Operational Entities have been accredited by a Provisional Executive Board to be established by a decision of the COP that has adopted the procedures and mechanisms of CDM."
53. Item (92) Option 1 : insert in second and fourth line before the word "Party" the word "funding" and delete in second and fourth line after the word "Party" the words "included in Annex I"
54. Item (95) Option 1 : put in brackets in the first and second line "Developed country"

55. Item (95) Option 2 : insert in the first and third lines the word “[funding]” between the words “participating” and “Party”. put in brackets the words “included in Annex I” in the beginning of the second line and put in brackets the end of this item “included in Annex I for meeting part of its quantified emission limitation and reduction commitments” in order to read “Option 2: Funding for CDM project activities shall be provided by the participating [funding] Party [included in Annex I] to the participating Party not included in Annex I on a basis with the CERs acquired from the project activity as returns for the participating [funding] Party [included in Annex I for meeting part of its quantified emission limitation and reduction commitments].”
56. Item (95) Option 3 : delete “of the KP. with specific reference to Decision 1/CP.3. article 5 subparagraph (e)”
57. Delete the last sentence of Item (99) Option 1 “The basic condition for placing CDM projects on the market should be the possession of a certificate granted by the operating entity appointed by the Conference of the Parties, submitted to the CDM board.”
58. Item (104): Delete “[registered] [presented]” in the first and the second line and the second sentence “Should the monitoring data be inadequate or insufficient, additional data from other sources may be used.”
59. Item (105) put in brackets “[the executive board and]” in the line before the last . insert “validating” before the two last words (operational entities) and insert at the end of this Item “[and to the executive board, in the case that Parties involved do not raise any objection to the report]”
60. Delete Item 107 Option 1 and 2
61. Insert new Item 107 Option 3: “Option 3: CERs shall be calculated as the difference between the baseline and the actual anthropogenic emissions by sources and anthropogenic removals by sinks resulting from the project activity.”
62. Item 108 in the chapeau : delete “[registered] [presented]”
63. Item 108 (c) : delete the words “the Party financing the project is” and “. in particular with Articles 2, 3, 5, 7 and 10” and insert the word “are” before the words “in compliance”
64. Insert new Item 108 (d) “No Party involved report any objection to the verifying operational entity.”
65. Delete in the chapeau of Item 109 “[enhancement of removals by sinks]”
66. Delete Items 109 Option 1 and 3

67. Insert in Item 109 Option 2 at the end of the sentence “. providing no objections have been raised by any Party involved.”
68. Delete the last sentence in Item 110 “Source/sink categories used in determining emission reductions from CDM projects shall be consistent with those used by Parties included in Annex I in their national inventories.”
69. Item 111 : delete the words “[operational entity]” and “[host Party government]”
70. Delete in Item 112 in the second line the word “[operational entity]” and in the second and third lines the words “[host Party government]”
71. Delete the last sentence in Item 112 “Each CER shall have a unique serial number, from which it will be possible to determine the Party of origin, the project the year of [issuance] [certification] [and the certifying entity]. [and shall be trackable through the registry system]”
72. Insert in Item 112 after the word “themselves” the words “and inform all Parties involved of the total amount of CERs issued and its distribution among CDM project activity participants. Each CER shall be trackable through the registry system.”
73. Insert new Item 115bis : “In the case of catastrophic events such as forest fires (natural or human-induced), land slides, vulcanism or anthropogenic activity resulting in clear cutting, selective logging or logging for wood use, in a project activity aimed at enhancing anthropogenic removals by sinks, CERs acquired under CDM shall be retired, either in full or in part, and shall not be accounted for the fulfilment of commitments under Article 3 and be replaced by an equivalent amount of CERs corresponding to a project activity related to fossil fuel emission reductions.”
74. Delete the last sentence of Item (119) Option 3 : “Those Parties not included in Annex I which, in addition to qualifying as particularly vulnerable, have been generating CERs under the CDM, will have additional priorities to those established in the vulnerability index, in order to facilitate their access to adaptation fund resource.”
75. Delete Item 121 (a)
76. Delete in Item 123 the words “AAUs,” “and ERUs transferred” and “Protocol” delete the final letter “s” in the word “mechanisms” and insert after the word “established” at the first line the words “by the executive board” and at the end of the item “established under Article 12.” in order to read “A central registry shall be established by the executive board [in accordance with Appendix D] with the aim of tracking the generation, transfer and retirement of CERs under the mechanism established under Article 12.”
77. Item 125 : insert between the words “how” and “they” in the last sentence the words “they are contributing to the ultimate objective of the Convention and how”

78. Item 127 (d) : replace “Determine” by “Adopt” and replace “operation of the financial mechanism of the Convention” by “management of the share of proceeds for adaptation projects”
79. Delete in Item 128 (c) : “. or establish guidelines as a basis for delegating this function, and decide which functions they will carry out”
80. Insert in Item 128 (d) after the words “requirements for the” the words “[validation¹⁰] and/or”
81. Delete Item 128 (e)
82. Delete Item 131 (a)
83. Item 131 (b) : replace “Supervise” by “Assess”
84. Item 131 (c) : replace “Determine the” by “Make additional recommendations on”
85. Insert a new item 131 (h) quarter as follows “Register and account for the generation, transfer and retirement of CERs, maintain the central registry and report annually to all Parties the registry accounts of each Party and legal entities resident in that Party.”
86. Item 131 (j): replace “methodology” by “procedure”
87. Delete Item 131 (k)
88. Item 131 (n) : replace “Define the” by “Propose to COP/MOP possible”
89. Item 131 (o) : insert at the end of the sentence “under guidelines established by COP/MOP”
90. Item 131 (q) : delete the end of the sentence “. to Parties and persons and entities that the COP/MOP believes should receive them.”
91. Item 132 (a) : delete “[coordinate the designation by Parties of the national operational entities, which will be in charge of the functions of the CDM in each Party]”
92. Item 134 : in the chapeau replace “[x]” by “[9-13]”
93. Item 135 : replace the two words “should” by “shall”
94. Item 136 : replace the word “must” and the two words “should” by “shall”
95. Item 138 (a) : delete “[be designated by the COP/MOP or by a national or regional authority to which this function was delegated by the COP/MOP]” and insert the word “and” before the words “be accredited” and insert the words “established by COP/MOP” at the end of the sentence

96. Item 138 (d) : delete “or validation”
97. Insert new Item 138 (e) : “Validate or certify CDM project activities. Validation and certification of a CDM project activity are mutually exclusive operations and cannot be performed by the same operational entity.”
98. Insert new Item 139 Option 1 (c) : “Have been authorised by the designated national authority of the host country to operate therein.”
99. Delete Item 139 Option 2
100. Delete in Item 140 (a) the words “[register] [present]” and insert at the end of the sentence “[by means of a validation report to be approved by each Party involved]”
101. Delete Item 140 (b) Option 2
102. Delete Item 140 (c)
103. Item 141 Option 1: insert the word “validation.” between the words “for the” and “monitoring”
104. Insert a new Item 141 Option 3 : “Option 3: Each Party participating in the CDM project shall establish a national system for developing its own legal and institutional framework related to the implementation of Article 12, which may include establishing an institution for coordinating and managing the governmental approving authority.”
105. Item 142 (b) : replace “Evaluate” by “Assess [validated]”
106. Insert new Item 142 (b)bis : “Assess verification reports of operational entities and inform objections, if any, to the verifying operational entity”
107. Delete Item 142 (c)ter
108. Delete Item 142 (c)quinquies
109. Delete Item 142 (e)
110. Delete Item 143 Option 1
111. Item 144 : insert before the word “secretariat” the words “executive board” and delete the words “and to the categories of persons and entities that the COP/MOP believes should receive them”
112. Item 145 delete the word “all”
113. Insert new Item 146 (d) Option 3 : “Periodically review eligibility criteria for adaptation under Article 12, paragraph 8”

114. Insert new Item 146 (f) : “Periodically review and establish additional project activities and eligibility criteria.”

PAPER NO. 2: COLOMBIA

The following are comments and statements prepared for their inclusion in the document Mechanisms Pursuant to Articles 6, 12 and 17 of the Kyoto Protocol: Synthesis of proposals by Parties on principles, modalities, rules and guidelines, prepared by SBSTA and SBI, at their tenth sessions.

- First of all, we would like to include as part of this submission the entire text of FCCC/SB/1999/MISC.10/Add.3, which was prepared by Colombia and fourteenth other Latin American countries specifically to address key issues in the design and implementation of the CDM.

■ PRINCIPLES, Paragraph 63

On options 1 and 2, regarding trading and fungibility of CERs generated from CDM projects, Colombia supports option 2: "*[Acquired AAUs, ERUs and CERs can be used to fulfil a Party's own obligations or be the object of further trade][CERs, in principle, can be fungible with ERUs and AAUs. However, the use of CERs in emissions trading needs to be further discussed through rule-making process for CDM].*

Tradability and fungibility of CERs with AAUs and ERUs will promote investment, reduce risk and permit unilateral project formulation of CDM projects, which will greatly increase the potential of high-risk countries to participate in the CDM. Increased participation by a greater number of countries and the formulation of more projects will further reduce greenhouse gas emissions and further the objectives of the UNFCCC.

In contrast,, preventing investors from the flexibility of trading their CERs reduces their scope of action and greatly increases the risk of investment; it also excludes market makers such as brokers, institutional investors and NGO investors, who have traditionally played key roles in the development of emission offset markets. Opponents of trading of CERs should demonstrate why they consider CERs not be trade and how their position promotes the objectives of the Convention and the Protocol.

■ SUPPLEMENTARITY, Paragraph 64

Colombia supports option 1: "*Parties included in Annex I may use certified emission reductions accruing from such project activities to contribute to compliance with part of their quantified emission limitation and reduction commitments under Article 3, as determined by the Conference of the Parties serving as the meeting of the Parties to this Protocol.*"

Colombia opposes specific limitations on the use of CERs for compliance by Annex I countries. In practice, specific limitations would be extremely difficult to enforce. Limiting the use of CERs serves no environmental purpose; in contrast, it will exclude many low cost options from use by Annex I nations. This will increase the cost of compliance; it will reduce the price of CERs

dramatically, thereby reducing the flow of resources to the developing countries. This will also reduce the number of CDM projects and slow the process of green house gases GHG reduction that is possible. In order to reach the GHG targets as quickly and effectively as possible, no limits should be placed on the use of CERs in achieving compliance by Annex I.

■ UNILATERAL PROJECT FORMULATION, Paragraphs 69, 70

Colombia proposes the following language: *“In addition to traditional Annex I financing of projects, public and private entities from non-Annex I countries may finance and implement projects under the guidelines of Article 12 of the Kyoto Protocol, with specific reference to Decision 1/COP3, numeral 5 subparagraph (e). Project financing may be provided by other sources, including international and multilateral financial entities. The CERs generated by these projects could be then sold to an Annex I Party or entity for compliance or further trade”.*

Colombia proposes the same language for paragraph 96 in section on **PROJECT FINANACING**.

■ SHARE OF PROCEEDS

Paragraph 75

Colombia supports option 1, specified as follows: *“The share of the proceeds is defined as 1% of the number of CERs issued”.*

Paragraph 78

Colombia supports option 2: *“The share proceeds for adaptation projects shall be channeled through an existing international institution to be determined by the COP/MOP”.*

■ SINKS, Paragraph 80

Colombia proposes the following option for text regarding sinks: *“CDM projects aimed at enhancing anthropogenic removal of GHG from the atmosphere, will be subject to similar rules as those applied to the IET and JI mechanisms.”*

■ SUSTAINABLE DEVELOPMENT VALIDATION, Paragraph 86

Colombia supports option 1 as follows: *“The determination of whether a proposed project activity contributes to the sustainable development priorities of the Party not included in Annex I shall be made solely by the Party not included in Annex I.”*

Since UNCED in 1992, countries have developed a series of mechanisms and national policies in order to find their own concept of sustainable development in accordance with their own circumstances. Until now, Commission on Sustainable Development CSD, has tried through this period find points of converging in international community to establish in the near future a common criteria to understand concept about sustainable development.

■ **BASELINES, Paragraph 88**

Colombia supports option 1: *“Baselines shall be determined on a project by project basis. In some cases, in accordance with Appendix A, sectoral base lines and standard baselines for project categories for each host Party may be applied.”*

■ **PROJECT FINANCING, Paragraph 96**

Colombia proposes the following language: *“In addition to traditional Annex I financing of projects, public and private entities from non-Annex I countries may finance and implement projects under the guidelines of Article 12 of the*

Kioto Protocol, with specific reference to Decision 1/COP3, numeral 5 subparagraph (e). Project financing may be provided by other sources, including international and multilateral financial entities. The CERs generated by these projects could be sold to an Annex I Party or entity for compliance or further trade”.

■ **CERTIFICATION/ISSUANCE OF CERs, Paragraph 107**

Colombia supports option 1 with the noted (underlined) addition: *“CERs shall be calculated as emission reductions by sources [or enhancements of removals by sinks] that are additional to any that would have occurred in the absence of project activity as compared to the baseline, where such reductions [or enhancements] are real, measurable and long-term. Certifications shall be conducted annually by operating entities.”*

■ **ADAPTATION ASSISTANCE, Paragraph 117**

Colombia recommends the following language: *“The share of proceeds drawn from CERs transactions will be insufficient to fund all the potential adaptation projects in countries adversely affected by climate change. The Parties should be encouraged to seek alternate sources of funding for adaptation that do not draw resources from developing countries, but from Annex I nations. Funds should be channeled through existing institutions instead of creating new ones, which will impose even higher cost”*.

REGISTRES, Paragraph 123

Colombia supports the text included, with the noted (underlined) addition: “A central registry shall be established with the aim of tracking the generation, transfer, pricing and retirement of AAUs, CERs and ERUs transferred under the Protocol mechanisms”.

■ REVIEW, Paragraph 146

Colombia recommends the following language be included as option f: **“Promote the acquisition of additional sources of funding for adaptation projects in countries adversely affected by climate change”.**

**Places for Insertion of Saudi Arabia's Most Recent Proposal Concerning
"Linkages between Kyoto Mechanisms and Other Protocol Provisions"**

Saudi Arabia's most recent proposal, entitled "Linkages between Kyoto Mechanisms and Other Protocol Provisions," should be inserted in **each** of those portions of a synthesis of proposals by Parties or negotiating text concerning principles, modalities, rules and guidelines concerning mechanisms pursuant to Articles 6, 12 and 17 of the Kyoto Protocol dealing with the subjects of (a) "eligibility" for, or "participation" in, each of the three separate mechanisms **and** (b) "issues related to compliance."

For example, assuming a new synthesis or negotiating text follows the framework set forth in the Note of the Chairmen entitled "Mechanisms Pursuant to Articles 6, 12 and 17 of the Kyoto Protocol - Synthesis of proposals by Parties on principles, modalities, rules and guidelines," FCCC/SB/1998/8, both paragraphs of Saudi Arabia's proposal should be inserted in:

- Subpart I-D ("Participation") and Subpart II-E ("Issues related to compliance") of Part Two (Article 6 Projects);
- Subpart I-D ("Participation") and Subpart II-F ("Issues related to compliance") of Part Three (Clean Development Mechanisms); and
- Subpart I-D ("Participation") and Subpart II-C ("Issues related to compliance") of Part Four (Emissions Trading).

Linkages between Kyoto Mechanisms and Other Protocol Provisions

If the Parties decide that, in addition to the provisions of Articles 6.1 (c) or 6.4 of the Protocol, an Annex 1 Party may or shall lose its eligibility to participate in the mechanisms when it is in non-compliance with all or specified provisions of Articles 5 and/or 7 of the Protocol, an Annex 1 Party also shall lose its eligibility to participate in the mechanisms when it is in non-compliance with any provision of Articles 2.1, 2.3, 3.2, 3.14, or 11 of the Protocol.

If the Parties decide that in addition to the provisions of Articles 6.1 (c) or 6.4 of the Protocol, an Annex I Party may or shall lose its eligibility to participate in the mechanisms when it is in non-compliance with all or specified provisions of guidelines or modalities established or of other decisions taken, by the COP/moP pursuant to Articles 5 and/or 7, an Annex I Party also shall lose its eligibility to participate in the mechanisms when it is in non-compliance with any guideline, modality, rule, or principle established, or decision or other action taken, by the COP/moP pursuant to Articles 2.1, 2.3, 3.2, 3.14, 6, 11, or 12 of the Protocol or any principle, modality, rule or guideline established by the COP pursuant to Article 17 of the Protocol.

REPUBLIC OF UZBEKISTAN

**Commentary
to consolidated text for negotiation on the mechanisms according
to the Articles 6, 12 and 17 of the Kyoto Protocol**

In the text for the negotiation on the mechanisms according to the articles 6, 12 and 17 of the Kyoto Protocol, in our opinion are not completely identify separate system questions, concerning making of the base for realization and extension of the range of possible participants of one or another flexible mechanisms. The begin review process of the possibility of taking the obligations by developing countries on the quantitative emission limitation of greenhouse gases requires to develop the approaches to the procedures and mechanisms of the voluntary taking by Parties non-Annex I, budgetary emission limitation of greenhouse gases. In present time for countries, which will be connected to trade of quotas on emissions, does not exist a formalized way of determination of the budget of green house gas emissions. Searching of the acceptable ways and determination of corresponding mechanism is presented by the important problem. For competently participation in all flexible mechanisms of the Kyoto Protocol, will possible use a special mechanism for facilitating to developing countries in deciding of the national and the international institutional problems.

In particular, it is necessary to develop the formal procedures in connection with the Parties non-Annex I, to the process of budgetary trade. In same time, as far as for developing countries with the increasing population the stabilization of emissions level does not correspond to sustainability development of principles and national priorities, also necessary to find basic objectives and formalized procedure of assessment for growing budget of emission for such countries. Concept of growing budget of emission will definitely require, certainly, additional methodological works and revisions, and may be useful under further implementation of the Convention. This way requires the informal consultations and additional discussion.

Our commentary to questions of out-line, requiring further consideration and methodological work, are to the following:

Require thoroughness and certainty in a methodological approaches to the determination of baseline of Cline Development Mechanism (CDM) project and procedure of qualifying the projects, in accordance with the choice of less carbon capacity on the way of development of country, regions; and separate enterprises.

To settle the problem of adequacy in the assessment of projects on the mechanism of Cline Development Mechanism (CDM) and a activities implemented jointly (AIJ) and their key parameters, it is necessary to develop a methodology of retraining of certified emission reductions (CER), applying only to the Cline Development Mechanism (CDM), in emission reduction units (ERU). intended for using in rest events.

Risks and liability of Parties, participating in CDM projects, necessary to balance obligatory attraction of the international insurance agencies.

Consider possibility of elaborating of requirements to projects, corresponding to clean development mechanism. First of all, projects must correspond to criterion of Advice on CDM, created at the secretariat FCCC. These criterion must be develop on the base of the article 12 and in equal degrees to take into account as financial and technical facilitate economic development of Parties non-Annex I, so and achievement of cost-effective facilitate of quantitative obligations on the Kyoto Protocol by Parties non-Annex I. Necessary development the quantitative criterion for the impact assessment of CDM projects on the sustainable development on national and international levels, that will in turn require to unify a system of economic, social and ecological sustainable development indicators. Projects in the obligatory order are to use enabling technologies, methods and technical product, as well as have low technological and financial risks.

Additionality principle and principle of additional cost also needs for revision and to be adapted to national priorities of sustainable development. Implementation of additionality principle and principle of additional expenses, in consequence of assessment create as a result of project of carbon credit on prices, correspond to additional cost rather than market price of quotas on the unit of emission of greenhouse gas; it create significant financial losses for selling Party. This circumstance somewhat brings to discriminations of cline development mechanism by comparison with the participation in budgetary trade. Absence of guidelines for the determination of financial-economical parameters of projects does not allow to assessment at the money equivalent the additionality and for the facilitate to purposes of sustainable development.

We consider that it is necessary to conduct a certain work on revision of terminology. At present time, it is require to determinations or deep study and identifications:

- clear determination of advantage (profit, financial facility, new technologies, improvement of social conditions, improvement of environment), to get a result of implementation of projects by Parties non-Annex I.
- criterion, in what degrees a project promotes an achievement of sustainable development purpose by Parties non-Annex I.
- determination in respect of natures and status of certified emission reductions units (goods, technologies, securities).
