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CONFERENCE OF THE PARTIES

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The Hague, 13-24 November 2000

Agenda item 7 (c)

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

**Article 12 of the Kyoto Protocol**

**Modalities and procedures for a clean development mechanism**

**Submissions from Parties**

**Note by the secretariat**

1. A submission\* has been received from the Group of 77 and China in relation to documents FCCC/SBSTA/2000/10/Add.1 (part II) and FCCC/SB/2000/10/Add.2.
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.

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

**FCCC/CP/2000/MISC.2**

DHG.00-150

THE GROUP OF 77 AND CHINA

**DRAFT DECISION: MODALITIES AND PROCEDURES  
FOR A CLEAN DEVELOPMENT MECHANISM  
AS DEFINED IN ARTICLE 12 OF THE KYOTO PROTOCOL**

The Conference of the Parties,

*Recalling* that in Article 12 of the Kyoto Protocol a clean development mechanism is defined with the purpose to assist Parties not included in Annex I to the Convention in achieving sustainable development and in contributing to the ultimate objective of the Convention, and to assist Parties included in Annex I in achieving compliance with part of their quantified emission limitation and reduction commitments under Article 3, and reflecting provisions contained in appendix X to the annex on modalities and procedures to decision,

*Recalling also* its decisions 1/CP.3, 7/CP.4, 8/CP.4 and 14/CP.5,

*Bearing in mind* the need to promote equitable geographic distribution of the clean development mechanism project activities at regional and sub-regional level,

*Emphasizing* that Parties included in Annex I to the Convention should promote technologies and activities in Parties not included in Annex I in a manner that minimizes any environmental, economic or social adverse effects,

1. *Decides* to prompt start the clean development mechanism, in accordance with the modalities and procedures in the annex to this decision, taking into account the prior need to set up requisite institutional and related arrangements, fully capable of functioning effectively to implement the modalities and procedures, including the convening of the executive board on an interim basis, with the Conference of the Parties assuming responsibilities of the Conference of the Parties serving as the meeting of the Parties to the Protocol related to the implementation of the clean development mechanism,

2. *Decides also* that the Parties included in Annex I to the Convention should start implementing measures to assist Parties not included in Annex I to the Convention, in particular the least developed and small island developing States amongst them, with building capacity in order to facilitate their participation in the clean development mechanism, taking into account relevant decisions on capacity-building by the Conference of the Parties and the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol as well as decisions on guidance to the financial mechanism of the Convention,

3. *Establishes* a specific mechanism, to be facilitated, as appropriate, by the interim executive board, to assist Parties not included in Annex I to the Convention, in particular the least developed and small island developing States amongst them, with building capacity to participate in the clean development mechanism; keeping in

view the need to build capacity for developing projects based on advanced technologies which augment energy efficiency or generate energy in a sustainable manner from biomass and renewable sources,

4. *Invites* the Subsidiary Body for Scientific and Technological Advice to prepare guidelines for baseline setting under the guidance of the executive board to determine reductions in anthropogenic emissions by sources [and anthropogenic enhancements of removals by sinks] that are additional to any that would occur in the absence of certified project activity under the CDM,
5. *Requests* the Subsidiary Body for Scientific and Technological Advice to adopt the guidelines for baseline setting and accreditation procedures not later than its fifteenth session;
6. *Requests* the executive board to include the guidelines adopted under paragraph XX in the UNFCCC clean development mechanism reference manual;
7. *Decides* that the adaptation fund shall be managed by an existing institution;
8. *Decides* to review regularly the equitable regional and subregional distribution of clean development mechanism project activities with a view to promoting equitable distribution and provide appropriate guidance to the executive board accordingly,
9. *Decides* to establish a clean development mechanism equitable distribution fund to provide financial assistance to project activities, where necessary. to address imbalances in the regional distribution of CDM project activities, to be financed by Parties included in Annex II, with certified emission reductions generated by such projects to be acquired by such Parties in proportion to their contribution,
10. *Elects* the members of the executive board on an interim basis, nominated in accordance with the modalities and procedures,
11. *Requests* the secretariat of the Convention to perform any functions assigned to it in decision -/[CMP.1] and respective annexes,
12. *Decides* that the share of proceeds shall be collected and allocated, in accordance with provisions contained in appendix D, to cover administrative expenses and to the adaptation fund defined in appendix E to the annex to this decision;
13. *Invites* Parties included in Annex I to contribute to the trust fund established to cover the administrative expenses of the executive board established on interim basis. Such contributions shall be reimbursed, if requested, from the share of proceeds collected for administrative expenses in accordance with disbursement procedures and the timetable determined by the executive board;
14. *Decides* to examine the facilitation of the establishment of the clean development mechanism not later than x years from the adoption of this decision, without affecting the project activities already registered,
15. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Protocol, at its first session, adopt the following decision:

**Decision -/[CMP.1]**

**Modalities and procedures for a clean development mechanism  
as defined in Article 12 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 12 of the Kyoto Protocol,

*Bearing in mind* that, in accordance with Article 12, the purpose of the clean development mechanism is to assist Parties not included in Annex I to the Convention in achieving sustainable development and in contributing to the ultimate objective of the Convention, and to assist Parties included in Annex I in achieving compliance with part of their quantified emission limitation and reduction commitments under Article 3 and reflecting provisions contained in appendix X to the annex on modalities and procedures,

*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,

*Also bearing in mind* the provisions contained in Articles 3 and 12 of the Kyoto Protocol, in accordance with which any certified emission reductions which a Party included in Annex I 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 additions are solely 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,

*Bearing in mind further* that a share of the proceeds from certified project activities under the clean development mechanism shall be used to cover administrative expenses and to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation,

*Affirming* that, in their actions to achieve the purpose of the clean development mechanism, Parties shall be guided by Articles 2 and 3 of the Convention and, *inter alia*,

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.

**Additionality:** Reductions in anthropogenic emissions by sources [and anthropogenic enhancement of removals by sinks] should be additional to any that would occur in the absence of the project activity, keeping in view that business-as-usual projects shall not be eligible as CDM projects, while ensuring that overseas development assistance and the other existing financial commitments of Parties included in Annex I are not used for the acquisition of certified emission reductions, taking into account that the implementation of the commitment of Parties included in Annex II in Article 4, paragraphs 3, 5 and 7 of the Convention are distinct from the implementation of Article 12 of the Protocol.

**Non-discrimination, prevention of distortion of competition:** All developing country Parties may participate in or initiate CDM project activities on a voluntary basis. No unilateral action should preclude a Party not included in Annex I from participating in or initiating any clean development mechanism project activity. Clean development mechanism project activities should not distort competitiveness in Parties not included in Annex I.

**Special needs of least developed country Parties:** Activities under the clean development mechanism shall give full consideration to the special needs of least developed countries, in particular to the identification of their special technology needs and to capacity-building.

**Special vulnerabilities and character of small island developing States:** Activities under the clean development mechanism shall take into account the special vulnerabilities and character of small island developing States, in particular capacity-building for adaptation activities and the implementation of clean development mechanism project activities.

**Special situations of developing countries that are particularly vulnerable to the adverse effects of climate change:** Activities under the clean development mechanism shall take into account the adverse impacts on food and agricultural sustainability, keeping in view the poorest populations which are the most vulnerable, and the need to build capacity for adaptation activities and the implementation of CDM project activities;

**Special situations of developing country Parties that are particularly vulnerable to the adverse impacts of mitigation activities:** CDM project activities shall be implemented in such a way as to minimize adverse social, environmental and economic impacts on developing country Parties, particularly those identified under Article 4, paragraphs 8 and 9 of the Convention.

*Having considered* decision [B/CP.6] on modalities and procedures for the clean development mechanism,

1. *Decides* to confirm and give full effect to any actions taken pursuant to decision [B/CP.6];
2. *Adopts* the modalities and procedures for the clean development mechanism contained in the annex on modalities and procedures;
3. *Decides* that possible future revisions of this decision and the annex on modalities and procedures may be considered, taking into account the experience of Parties. Revisions shall not affect clean development mechanism project activities already registered. Any revisions to this decision shall be made by consensus of the Parties. The first such revision shall be undertaken not less than five years after the adoption of the clean development mechanism modalities and procedures by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its first session.

*Annex*

**MODALITIES AND PROCEDURES FOR A CLEAN DEVELOPMENT MECHANISM**

**Definitions**

For the purpose of this Annex:

- (a) "Party" means, unless the context otherwise indicates, a Party to this Protocol.
- (b) "Protocol" means the Kyoto Protocol to the United Nations Framework Convention on Climate Change.
- (c) "Article" means an Article of the Protocol, unless otherwise indicated.
- (d) The "assigned amount" for each Party included in Annex I shall be equal to the percentage inscribed for it in Annex B of the Protocol of its aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases listed in Annex A of the Protocol in 1990, or the base year or period determined in accordance with Article 3, paragraph 5 of the Protocol, multiplied by five.
- (e) A "certified emission reduction" or "CER" is a unit issued pursuant to Article 12 of the Protocol and requirements thereunder, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5.
- (f) An "emission reduction unit" or "ERU" is a unit issued pursuant to Article 6 of the Protocol and requirements thereunder, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5.
- (g) A "part of assigned amount" or "PAA" is a unit issued pursuant to Article 17 of the Protocol and requirements thereunder, and is equal to one metric tonne of carbon dioxide equivalent emissions, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5.