

CONFERENCE OF THE PARTIES

Sixth session, part two

Bonn, 16-27 July 2001

Agenda items 4 and 7

**REVIEW OF THE IMPLEMENTATION OF COMMITMENTS AND OF OTHER  
PROVISIONS OF THE CONVENTION**

**PREPARATIONS FOR THE FIRST SESSION OF THE CONFERENCE OF THE  
PARTIES SERVING AS THE MEETING OF THE PARTIES TO THE KYOTO  
PROTOCOL (DECISION 8/CP.4)**

**Note by the Co-Chairmen of the negotiating groups**

1. This note puts forward key outstanding issues and options to be resolved by ministers and senior officials at the high level segment of the second part of the sixth session of the Conference of the Parties (COP). Its aim is to assist delegates in their final negotiations on a balanced package of decisions under the Buenos Aires Plan of Action. It has been prepared on the authority of the Co-Chairmen of the four negotiating groups convened by the COP, at the request of the President.
2. The note consolidates the reports of the Co-Chairmen of the negotiating groups, which the plenary took note of at its 11<sup>th</sup> plenary meeting, and agreed to forward to the high-level segment. It seeks to draw out and streamline core political issues, eliminating duplication and presenting issues and options in a common format; it also includes some amendments proposed in plenary.
3. The list of issues and options is not intended to be exhaustive. It should also be noted that the listing of issues and options does not reflect any particular priority, and provides no indication of the level of support enjoyed by any option.

Annex

**I. DECISIONS CONCERNING FINANCE, ADAPTATION AND ARTICLE 4.8 AND 4.9 OF THE CONVENTION AND ARTICLE 3.14 OF THE KYOTO PROTOCOL**

**A. Funding and resource levels**

<b>Issue: Adaptation fund</b>
<b>Description:</b> <i>There is agreement that an Adaptation Fund should be established and managed by an entity which operates the financial mechanism of the Convention.</i>
<i>Should contributions to this Adaptation Fund be voluntary or mandatory?</i>
<b>Options</b>
<b><u>Option A</u></b>
Voluntary.
<b><u>Option B</u></b>
Mandatory.
<b>Decision</b>

<b>Issue: Adaptation fund</b>
<b>Description:</b> <i>Should contributions to the Fund during the period before the entry into force of the Kyoto Protocol be voluntary or mandatory?</i>
<b>Options</b>
<b><u>Option A</u></b>
Voluntary.
<b><u>Option B</u></b>
Mandatory.
<b>Decision</b>

<b>Issue: Adaptation fund</b>
<b>Description: <i>Who should contribute?</i></b>
<b>Options</b>  <b><u>Option A</u></b>  Should all Parties contribute?  <b><u>Option B</u></b>  Should only Annex I Parties contribute?  <b><u>Option C</u></b>  Should only Annex II Parties contribute?
<b>Decision</b>

<b>Issue: Adaptation fund</b>
<b>Description: <i>If contributions are mandatory should there be consequences for non-payment of contributions?</i></b>
<b>Options</b>  <b><u>Option A</u></b>  Yes.  <b><u>Option B</u></b>  No.
<b>Decision</b>

<b>Issue: Special Climate Change Fund</b>
<b>Description:</b> <i>Should a Special Climate Change Fund be established and managed by the Global Environment Facility?</i>
<b>Options</b>
<b><u>Option A</u></b>
Yes.
<b><u>Option B</u></b>
No.
<b>Decision</b>

<b>Issue: Special Climate Change Fund</b>
<b>Description:</b> <i>Should contributions to the Fund be voluntary or mandatory?</i>
<b>Options</b>
<b><u>Option A</u></b>
Voluntary.
<b><u>Option B</u></b>
Mandatory.
<b>Decision</b>

<b>Issue: Special Climate Change Fund</b>
<b>Description: <i>Who should contribute?</i></b>
<b>Options</b>
<b><u>Option A</u></b>
Should all Parties contribute?
<b><u>Option B</u></b>
Should only Annex I Parties contribute?
<b><u>Option C</u></b>
Should only Annex II Parties contribute?
<b>Decision</b>

<b>Issue: Special climate change fund</b>
<b>Description: <i>If contributions are mandatory should there be consequences for non-payment of contributions?</i></b>
<b>Options</b>
<b><u>Option A</u></b>
Yes.
<b><u>Option B</u></b>
No.
<b>Decision</b>

<b>Issue: Special Climate Change Fund</b>
<b>Description:</b> <i>Should activities, programmes and measures related to climate change in the area of economic diversification be included in the list of areas to be funded by the Fund?</i>
<b>Options</b>
<b><u>Option A</u></b>
Yes.
<b><u>Option B</u></b>
No.
<b>Decision</b>

<b>Issue: Special Climate Change Fund</b>
<b>Description:</b> <i>Should non-Annex I Parties be required to implement national strategies for mitigation and sequestration, consistent with criteria to be agreed, as a condition for accessing new and additional funding from the Fund?</i>
<b>Options</b>
<b><u>Option A</u></b>
Yes.
<b><u>Option B</u></b>
No.
<b>Decision</b>

<b>Issue: Special Climate Change Fund</b>
<b>Description:</b> <i>Should measures for mitigation be included in the list of activities to be funded by the Fund?</i>
<b>Options</b>  <b><u>Option A</u></b>  Yes.  <b><u>Option B</u></b>  No.
<b>Decision</b>

**B. Development and transfer of technologies**

<b>Issue: The title of the new body on technology transfer</b>
<b>Description: <i>Status of the body. Will the experts be nominated by the Parties?</i></b>
<b>Options</b>
<b><u>Option A</u></b> Expert group on technology transfer.
<b><u>Option B</u></b> Intergovernmental expert group on technology transfer.
<b>Decision</b>

<b>Issue: Composition of the new body on technology transfer</b>
<b>Description: <i>The Parties agreed on the total number of 20 experts but disagreed on the regional and group representation.</i></b>
<b>Options</b>
<b><u>Option A</u></b> 3 experts from each of the regions of the non-Annex I Parties (namely, Africa, Asia and Latin America) 1 from the Alliance of Small Island States 7 from the Annex I Parties 3 from the relevant international organizations
<b><u>Option B</u></b> 2 from each of the five UN regional groups 1 from the Alliance of Small Island States 5 from the Annex I Parties 4 from the relevant international organizations
<b><u>Option C</u></b> Be nominated by the Parties based on the five UN regional groups.
<b>Decision</b>



**C. Article 4.8 and 4.9 of the Convention and Article 3.14 of the Kyoto Protocol**

<b>Issue:</b> Article 4.8 (Response measures)
<b>Description:</b> <i>Will commitments to support developing countries impacted by response measures be binding or voluntary?</i>
<b>Options</b>  <b><u>Option A</u></b>  Binding (use of <i>decides</i> ).  <b><u>Option B</u></b>  Voluntary (use of <i>Invites, Requests</i> ).
<b>Decision</b>

<b>Issue:</b> Nature of commitments under Article 3.14
<b>Description:</b> <i>Will these commitments be voluntary and addressed by the facilitative branch of the compliance committee or will they be binding and addressed by the enforcement branch?</i>
<b>Options</b>  <b><u>Option A</u></b>  Facilitative branch; reporting to be done through national communications.  <b><u>Option B</u></b>  Enforcement branch: reporting to be done through annual inventory reports.
<b>Decision</b>

<b>Issue: Compensation for adverse impacts</b>
<b>Description:</b> <i>Will developing countries adversely impacted by developed country policies and measures be compensated?</i>
<b>Options</b>  <b><u>Option A</u></b>  Yes.  <b><u>Option B</u></b>  No.
<b>Decision</b>

<b>Issue: Actions under Article 3.14</b>
<b>Description:</b> <i>Will actions under this decision prescribe a choice of policies and measures for developed countries or will they be restricted to supporting activities in developing countries (such as economic diversification)?</i>
<b>Options</b>  <b><u>Option A</u></b>  Decide on priority to be given to certain policies and measures that have minimal socio-economic impact on developing countries.  <b><u>Option B</u></b>  Limit actions to support activities that help developing countries address impact of response measures.
<b>Decision</b>

## II. DECISIONS CONCERNING MECHANISMS PURSUANT TO ARTICLES 6, 12 AND 17 OF THE KYOTO PROTOCOL

<b>Issue: Equity</b>
<b>Description:</b> <i>In addition to being guided by Articles 2 and 3 of the Convention, how should the objective of reducing differences in per capita emissions between developing and developed country Parties be described in the text?</i> <sup>1</sup>
<b>Options</b>  <b><u>Option A</u></b>  <i>FCCC/CP/2000/5/Add.3 (Vol.V) Page 30</i> Include in preamble to the decision: “ <i>keeping in view</i> 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] [actions] with a view to reducing per capita inequities in emissions between developed and developing country Parties”;
<b><u>Option B</u></b>  <i>FCCC/CP/2001/2/Add.2 Page 3</i> <i>Emphasizing</i> that the Parties included in Annex I shall implement and/or further elaborate policies and measures in accordance with national circumstances and with a view to reducing inequalities in per capita emissions between developed and developing country Parties.
<b>Decision</b>

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<sup>1</sup> Some Parties felt that mention of Articles 2 and 3 of the Convention would be sufficient for addressing this issue.

<b>Issue: Supplementarity</b>
<b>Description:</b> <i>How best to implement the requirement that the use of the mechanisms under Articles 6, 12 and 17 should be supplemental to domestic action for the purpose of meeting their commitments under Article 3?</i>
<b>Options</b>
<b><u>Option A</u></b> <i>FCCC/CP/2000/5/Add.3 (Vol.V), pages 18, 57 and 85 - No elaboration on supplementarity.</i>
<b><u>Option B</u></b> <i>G77 submission on the COP 6 President's note of 23 November 2000</i> Annex I Parties shall meet their emission commitments primarily through domestic action since 1990. The participation of each Party shall be contingent on that Party demonstrating to the Protocol's compliance system that domestic actions constitute the principal means for achieving its Article 3 commitments. Each Party's use of the mechanisms under Articles 6, 12 and 17 collectively shall not exceed 9 per cent of its assigned amount pursuant to its quantified emission limitation and reduction commitments as inscribed in Annex B.
<b><u>Option C</u></b> <i>EU submission on the COP 6 President's note of 23 November 2000</i> Each Annex I Party shall meet its emission commitments primarily through domestic action since 1990. This means that use of the mechanisms under Articles 6, 12 and 17 shall not exceed reductions achieved through domestic actions as reported in national communications and reviewed under Article 8. Compliance with this principle will be assessed by the enforcement branch of the Compliance Committee on the basis of qualitative and quantitative information. A first assessment of demonstrable progress, as referred to in Article 3, paragraph 2, of the Protocol shall be specifically reported on the basis of criteria to be developed by the SBSTA.
<b><u>Option D</u></b> <i>FCCC/CP/2001/2/Add.2, page 3</i> 1. Decides that Parties included in Annex I are to meet their commitments under Article 3, paragraph 1, of the Kyoto Protocol chiefly through domestic action since 1990; 2. Further decides that the Parties included in Annex I shall implement and/or further elaborate policies and measures in accordance with national circumstances and with a view to reducing inequalities in per capita emissions between developed and developing country Parties; 3. Requests the Parties included in Annex I to provide relevant qualitative and quantitative information in relation to operative paragraphs 1 and 2 above in accordance with Article 7 of the Kyoto Protocol, for review under its Article 8; 4. Further requests the facilitative branch of the compliance committee to address questions of implementation with respect to operative paragraphs 1 and 2 above;
<b>Decision</b>

<b>Issue: Nuclear</b>
<b>Description:</b> <i>Can emission reduction units and certified emission reductions be generated by nuclear power projects?</i>
<b>Options</b>
<b><u>Option A</u></b>  No mention of the possibility of using nuclear facilities for generating ERUs and CERs.
<b><u>Option B</u></b>  FCCC/CP/2001/2/Add.2, page3 - Recognizing that Parties included in Annex I are to refrain from using nuclear facilities for generating emission reduction units and certified emission reductions.
<b>Decision</b>

<b>Issue: Article 6 supervisory committee</b>
<b>Description:</b> There is no agreement on the establishment of a permanent body with supervisory functions regarding the verification of ERUs – referred to as “supervisory committee”. There is general consensus on a two-track approach: ERUs can be verified either by the Party hosting a JI project if the Party meets the eligibility requirements (track one), or by an independent third-party if the Party does not meet the requirements (track two). Some Parties propose that, under track two, the verification of ERUs is to be performed by experts chosen by the secretariat, while others propose independent entities accredited by a supervisory committee.
<b>Options</b>
<b><u>Option A</u></b>  <i>FCCC/CP/2000/5/Add. 3 (Vol.V), page 9</i> A supervisory committee is <u>not</u> necessary, and the verification of emission reduction is performed by verification teams constituted by the secretariat from a roster of experts nominated by Parties.
<b><u>Option B</u></b>  <i>FCCC/CP/2001/2/Add.2, section C, page 7</i> A supervisory committee is necessary, and the verification of emission reductions is performed by independent entities accredited by the committee. In addition, the committee may perform other functions.  NOTE: If the second option is adopted, it will be necessary to agree on the composition of the supervisory committee.
<b>Decision</b>

<b>Issue: Composition of the executive board</b>
<b>Description: <i>It is necessary to decide the number of members for the executive board, how they are selected and the length of their terms.</i></b>
<b>Options</b>  <b><u>Option A</u></b>  <i>FCCC/CP/2000/5/Add.3 (Vol.V), page 36</i> Four persons proposed by Parties from each of the five United Nations regional groups, on a rotational basis and one member to represent the small island developing States, taking into account the interest groups as reflected by the current practice in the COP bureau.  Note: The executive board would comprise 21 members.  <b><u>Option B</u></b>  <i>FCCC/CP/2001/2/Add.2, page 3</i> The executive board shall comprise ten members from Parties to the Kyoto Protocol, as follows: (a) One member from each of the five United Nations regional groups plus one member to represent the small island developing States; (b) Two other members from the Parties included in Annex I; (c) Two other members from the Parties not included in Annex I.  <b><u>Option C</u></b>  <i>FCCC/CP/2000/5/Add.3 (Vol.V), page 36</i> Eight members chosen from among Parties included in Annex I, and eight members chosen from among Parties not included in Annex I on a rotational basis including one member to represent the small island developing States, taking into account the interest groups as reflected by the current practice in the Bureau of the Conference of the Parties (COP).  Note: The executive board would comprise 16 members.
<b>Decision</b>

<b>Issue: Share of proceeds for adaptation</b>
<b>Description:</b> <i>Should the share of proceeds for adaptation be applied to all three mechanisms?</i>
<b>Options</b>  <b><u>Option A</u></b>  <i>FCCC/CP/2001/2/Add.2:</i> Share of proceeds for adaptation is only applied to the CDM.  <b><u>Option B</u></b>  <i>FCCC/CP/2000/5/Add.2, Add.3 and Add.4 (Vol.V), Appendix on the determination of the share of proceeds</i> - A share of proceeds for adaptation is applied to all three mechanisms.
<b>Decision</b>

<b>Issue: Share of proceeds for adaptation</b>
<b>Description:</b> <i>What should be the level of the share of proceeds for adaptation?</i>
<b>Options</b>  <b><u>Option A</u></b>  <i>FCCC/CP/2001/2/Add.2 paragraph 12, page 15</i> The share of proceeds for adaptation shall be two per cent of the certified emission reductions issued for a CDM project activity.  <b><u>Option B</u></b>  <i>FCCC/CP/2000/5/Add.2, Add.3 and Add.4 (Vol.V), Appendix on the determination of the share of proceeds</i> The share of proceeds for adaptation is x per cent of the quantity of certified emission reductions issued for a CDM project activity, x per cent of the number of emission reduction units issued for an Article 6 project and x per cent of the initial transfer of assigned amount units from the registry into which they were issued. <sup>2</sup>
<b>Decision</b>

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<sup>2</sup> Some Parties proposed that the share of proceeds for adaptation and for covering administrative expenses should be 10 per cent.



<b>Issue: Commitment period reserve level (emissions trading)</b>
<b>Description:</b> <i>The commitment period reserve (CPR) has been proposed as a way to limit the risk of over-selling. In setting the level for the CPR it should be borne in mind that a reserve which is too strict may provide insufficient liquidity in the international market, provide insufficient international liquidity for domestic trading programmes and increase compliance costs, while a reserve which is too loose may not prevent overselling.</i>
<b>Options</b>  No transfer shall be made by a Party included in Annex I with a commitment inscribed in Annex B that would result in total holdings in its national registry of emission reduction units, certified emission reductions and/or assigned amount units for the current commitment period, which have not been cancelled in accordance with decision -/CMP.1 ( <i>Modalities for accounting of assigned amounts</i> ), being below the lower of:  (a) [60] <sup>a)</sup> [70] <sup>a)</sup> [90] <sup>b)</sup> [98] <sup>c)</sup> per cent of its assigned amount, calculated pursuant to Article 3, paragraphs 7 and 8; or  (b) [60] <sup>a)</sup> [70] <sup>a)</sup> [98] <sup>c)</sup> [100] <sup>b)</sup> per cent of five times the emissions of a Party in the most recent year for which an inventory, reviewed pursuant to Article 8, is available.
<b>Decision</b>

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a) Proposal by Umbrella Group.

b) Proposal by the President.

c) Proposal by the Group of 77 and China and the European Union and its member States.

<b>Issue: Compliance agreement as an eligibility criterion (all mechanisms)</b>
<b>Description: <i>Should being bound by the compliance regime under the Kyoto Protocol be one of the conditions for participation in the mechanisms?</i></b> <sup>3</sup>
<b>Options</b>  <b><u>Option A</u></b>  A Party may participate in the mechanisms without being bound by the compliance regime under the Kyoto Protocol.  <b><u>Option B</u></b>  <i>FCCC/CP/2001/2/Add.2, pages 9, 23, 40</i> A Party included in Annex I may (use certified emission reductions) (transfer or acquire emission reduction units or assigned amount units), issued in accordance with the relevant provisions, to contribute to compliance with part of its commitment under Article 3, paragraph 1, if it is in compliance with the following requirements: (b) It is a Party to the “Agreement on Procedures and Mechanisms on Compliance supplementing the Kyoto Protocol to the United Nations Framework Convention on Climate Change”;
<b>Decision</b>

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<sup>3</sup> This issue may depend on the nature of the compliance regime under the Kyoto Protocol.

<b>Issue: Unilateral CDM</b>
<b>Description:</b> <i>Should there be an explicit reference as to whether or not unilateral CDM is permitted?</i>
<b>Options</b>  <b><u>Option A</u></b>  <i>FCCC/CP/2001/2/Add.2:</i> No provision. In the absence of a provision, unilateral projects would not be excluded.  <b><u>Option B</u></b>  <i>FCCC/CP/2000/5/Add.3 (Vol.V), para 37, page 42</i> Each CDM project activity shall involve the participation of a Party included in Annex I and a Party not included in Annex I.  <b><u>Option C</u></b>  <i>FCCC/CP/2000/5/Add.3 (Vol.V), para 46, page 43</i> CDM project activities may be developed, financed and implemented, individually or jointly, by Parties included [and/or not included] in Annex I and private or public entities, including international financial entities and multilateral funds.
<b>Decision</b>

<b>Issue: Article 4</b>
<b>Description:</b> <i>It has been argued that there is a lack of parity between Parties operating under Article 4 and other Annex I Parties.</i>
<b>Options</b>
<b><u>Option A</u></b>
<i>FCCC/CP/2001/2/Add.2, page 4, paragraph 5 - Decides that provisions on the use of the mechanisms shall apply individually to the Parties acting under Article 4.</i>
<b><u>Option B</u></b>
<i>FCCC/CP/2001/Misc.1, pages 15 and 16 - A Party may not participate in mechanisms if another member of its Article 4 arrangement is not meeting eligibility requirements. Any limitations relevant to Article 17 shall apply equally to Article 4. Any recommendations regarding domestic action shall apply to each individual member of an Article 4 agreement.</i>
<b>Decision</b>

<p><b>Issue: Special needs of developing country Parties in the context of the CDM</b></p>
<p><b>Description:</b></p> <p><i>Parties involved in the clean development mechanism should 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,</i></p> <p><i>Activities under the clean development mechanism should 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,</i></p> <p><i>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,</i></p> <p><i>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.</i></p>
<p>These special needs of developing country Parties are addressed by the following provisions of the President's text (FCCC/CP/2001/2/Add.2):</p> <ul style="list-style-type: none"><li>• Request to Parties in Annex I to start implementing measures to assist Parties not included in Annex I, 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 (paragraph 11, page 15);</li><li>• Exempt clean development mechanism project activities in least developed countries from the share of proceeds to assist with adaptation (paragraph 11, page 12);</li><li>• Develop simplified modalities and procedures for small-scale clean development project activities (paragraph 7 (c), page 12 and paragraph 43 (d), page 26);</li><li>• Establishment of an adaptation fund.</li></ul>
<p><b>Decision</b></p>

<b>Issue: Financial additionality</b>
<b>Description:</b> <i>Public funding for CDM project activities from Parties included in Annex I shall be clearly additional to and not result in a diversion of the financial obligations of Parties to the Convention within the framework of the financial mechanism as well as to official development assistance (ODA).</i>
<p>The financial additionality of public funding for CDM project activities is addressed by the following provision in the President's text:</p> <p><i>Further emphasizing that public funding for clean development mechanism project activities from Parties included in Annex I is not to result in a diversion of official development assistance and is to be separate from and not counted towards the financial obligations of Parties included in Annex I, (preamble paragraph 5, page 13)<sup>4</sup></i></p>
<b>Decision</b>

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<sup>4</sup> Some Parties felt that the proposal of the President should be restricted to Parties included in Annex II.

<b>Issue: Equitable geographic distribution of CDM projects</b>
<b>Description:</b> <i>Given the experience with the pilot phase of activities implemented jointly, measures to promote equitable distribution of CDM project activities are to be considered.</i>
<p>Equitable geographic distribution of CDM project activities is addressed by the following provisions in the President's text:</p> <ul style="list-style-type: none"><li>• The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol shall further: .....</li></ul> <p>(b) Review the regional and subregional distribution of CDM project activities with a view to identifying systematic barriers to their equitable distribution and take appropriate decisions, based, <i>inter alia</i>, on a report by the executive board; (paragraph 4(b), page 18)</p> <ul style="list-style-type: none"><li>• The executive board shall supervise the CDM, under the authority and guidance of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, and be fully accountable to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol. In this context, the executive board shall: .....</li></ul> <p>(g) Report to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol on the regional and subregional distribution of CDM project activities with a view to identifying systemic barriers to their equitable distribution (paragraph 5(g), page 18).<sup>5</sup></p>
<b>Decision</b>

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<sup>5</sup> Some Parties felt that an equitable distribution fund should be provided for in addition to the provisions above.

### III. DECISIONS CONCERNING LAND-USE, LAND-USE CHANGE AND FORESTRY

<b>Issue: Article 3.4</b>
<b>Description: <i>Should there be credits under Article 3.4?</i></b>
<b>Options</b>
<b><u>Option A</u></b>
No crediting for Article 3.4 activities in the first commitment period. Methodological work to be undertaken prior to the start of negotiations on the second commitment period.
<b><u>Option B</u></b>
Crediting of cropland management, grazing land management, forest management, and revegetation under Article 3.4 in the first commitment period:
<b><i>Option B.1: Forest management</i></b>
(a) Individual Party caps on forest management to be fixed in an annex before the start of the first commitment period. Negotiations on the annex, to be guided by a set of elements, to start at this session.
(b) Demonstrate additionality since 1990 against a baseline using approved methodologies. For Parties where this is not appropriate, negotiate individual Party caps on forest management starting at this session. (This approach could also be applied to the other Article 3.4 activities.)
(c) Overall Annex I cap on forest management. Negotiate individual Party caps under the overall Annex I cap.
(d) Formula-based approach, comprising a discount and a cap, as contained in the consolidated negotiating text, but base the cap on a same percentage of base-year emissions for all Parties.
<b><i>Option B.2: Agricultural activities</i></b>
(a) Scale of agricultural activities (cropland management, grazing land management, and revegetation) limited through net-net accounting (net removals over the commitment period less net removals in the base year times five).
(b) The same as option B.2(a) above, but further limit scale by using a cap.
<b><i>Option B.3: Agricultural activities</i></b>
(a) Formula-based approach as contained in the consolidated negotiating text: a discount for forest management, net-net accounting for cropland and grazing land management and revegetation, and a cap of [x]% of base year emissions for all Parties on the total credits resulting from all these activities.
<b>Decision</b>



<p><b>Issue: LULUCF credits under the Kyoto mechanisms (Articles 6 and 12)</b></p>
<p><b>Description: <i>Should there be LULUCF credits under the Kyoto Protocol mechanisms (Articles 6 and 12)?</i></b></p>
<p><b><u>Option A</u></b></p> <p>No LULUCF activities credited under the CDM.</p> <p><b><u>Option B</u></b></p> <p>All LULUCF activities credited under the CDM.</p> <p><b><u>Option C</u></b></p> <p><b><i>Option C.1</i></b> Include a set of LULUCF activities (afforestation and reforestation).</p> <p><b><i>Option C.2</i></b> Include a set of LULUCF activities (afforestation and reforestation). SBSTA to develop the modalities for including afforestation and reforestation projects under the CDM in the first commitment period, taking into account the issues of non-permanence, additionality, leakage, scale, uncertainties and socio-economic and environmental impacts, including impacts on biodiversity and natural ecosystems, and being guided by the principles in paragraphs 1, 3, 4 and 5 of decision -/CMP.1 (LULUCF), with a view to a decision being taken by COP 8. (FCCC/CP/2001/2/Add.2, page 14, paras 8 and 9).</p> <p><b><u>Option D</u></b></p> <p>Include a set of LULUCF activities (afforestation and reforestation) but limit crediting by:</p> <p><b><i>Option D.1</i></b> The formula contained in the consolidated negotiating text (article 3.4, CDM and JI combined);</p> <p><b><i>Option D.2</i></b> A fixed percentage of base-year emissions; and</p> <p><b><i>Option D.3</i></b> A separate overall cap for LULUCF activities under the Kyoto Protocol project-based mechanisms. Negotiate individual caps under the overall cap to Annex I Parties.</p>
<p><b>Decision</b></p>

#### IV. COMPLIANCE

<b>Issue: Consequences to be applied by the Enforcement Branch</b>
<b>Description: <i>What should be the consequences of non-compliance with quantified emission limitation or reduction commitments?</i></b>
<b>Options</b>
<b><u>Option A</u></b>
Restore/deduct excess emissions.
1. Rate to be restorative (flat rate ranging from 1.0 to 1.5).
2. Rate to reflect an additional incentive to comply (flat rate of 2.0) (stepped rate from 1.1 to 2.0).
<b><u>Option B</u></b>
Compliance action plan:
1. To cover the emission reduction commitment of the entire subsequent commitment period or only the excess emissions of the previous commitment period.
2. To have mandatory elements only or also voluntary elements
3. To be approved by the enforcement branch or not
<b><u>Option C</u></b>
Suspension of eligibility to make transfers:
1. Of emission reduction units, certified emission reductions and assigned amount units under Article 17.
2. Of emission reduction units, certified emission reductions and assigned amount units under Article 17, only if also under Article 4.
<b><u>Option D</u></b>
Contribution to a compliance fund.
<b><u>Option E</u></b>
Combination of Options A, B, C and D
<b>Decision</b>

<b>Issue: Legal nature of consequences</b>
<b>Description: <i>What should be the legal nature of the consequences?</i></b>
<b>Options</b>
<b><u>Option A</u></b>
Recommendatory (adopted through a decision of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol).
<b><u>Option B</u></b>
Legally binding:
1. Amendment of the Protocol under Article 18 after the Protocol enters into force
2. Another legal instrument prior to its entry into force
<b>Decision</b>

<b>Issue: Consequences to be applied by the Facilitative Branch</b>
<b>Description:</b> <i>Should there be differentiation in treatment of Parties by the Facilitative Branch on the basis of the principle of common but differentiated responsibilities and respective capabilities?</i>
<b>Options</b>
<b><u>Option A</u></b>
Separate consequences for Parties included in Annex I and Parties not included in Annex I.
<b><u>Option B</u></b>
No separate consequences for Parties included in Annex I and Parties not included in Annex I.
<b><u>Option C</u></b>
Separate treatment of Parties included in Annex I and Parties not included in Annex I can be adequately reflected in the mandate of the Facilitative Branch, by explicit reference to the principle of common but differentiated responsibilities and respective capabilities.
<b>Decision</b>

<b>Issue: Composition of the two branches of the Compliance Committee</b>
<b>Description: <i>What should be the membership and size of the Facilitative Branch?</i></b>
<b>Options</b>
<b><i>1. Membership to be based on:</i></b>
<b><u>Option A</u></b>
Equitable geographical representation reflecting the current practice in the UNFCCC Bureau
<b><u>Option B</u></b>
Equal representation of Parties included in Annex I and Parties not included in Annex I
<b><u>Option C</u></b>
Majority of Parties included in Annex I
<b><u>Option D</u></b>
Equitable geographical representation reflecting the current practice in the UNFCCC Bureau plus an equal number of Parties included in Annex I and Parties not included in Annex I.
<b><i>2. Size of Facilitative Branch to be set at:</i></b>
<b><u>Option A</u></b>
10 members
<b><u>Option B</u></b>
Larger than 10 members
<b>Decision</b>

<b>Issue: Composition of the two branches of the Compliance Committee</b>
<b>Description: <i>What should be the membership, size and voting rule of the Enforcement Branch?</i></b>
<b>Options</b>
<b>1. <i>Membership to be based on:</i></b>
<b><u>Option A</u></b>
Equitable geographical representation reflecting the current practice in the UNFCCC Bureau.
<b><u>Option B</u></b>
Equal representation of Parties included in Annex I and Parties not included in Annex I
<b><u>Option C</u></b>
Majority of Parties included in Annex I
<b><u>Option D</u></b>
Only Parties included in Annex I
<b><u>Option E</u></b>
Equitable geographical representation reflecting the current practice in the UNFCCC Bureau plus an equal number of Parties included in Annex I and Parties not included in Annex I.
<b>2. <i>Size of Enforcement branch to be set at:</i></b>
<b><u>Option A</u></b>
10 members
<b><u>Option B</u></b>
Larger than 10 members
<b><u>Option C</u></b>
Smaller than 10 members
<b>3. <i>Decisions to be taken by:</i></b>
<b><u>Option A</u></b>
Consensus and if no consensus can be reached by three-quarters majority.
<b><u>Option B</u></b>
Consensus and if no consensus can be reached by three-quarters majority, including a majority of Parties included in Annex I and a majority of Parties not included in Annex I.
<b>Decision</b>

<b>Issue: Oversight over the decisions of the enforcement branch</b>
<b>Description:</b> <i>Should there be legal or political oversight over the decisions of the Enforcement Branch with respect to non-compliance with quantified emission limitation or reduction commitments?</i>
<b>Options</b>
<b><u>Option A</u></b>
No provision for appeal
<b><u>Option B</u></b>
Appeal to an appellate body
<b><u>Option C</u></b>
Appeal to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol
<b>Decision</b>

<b>Issue: Mandate of the Enforcement Branch</b>
<b>Description:</b> <i>Should provisions for reporting and accounting (Articles 5.1, 5.2, 7.1 and 7.4) be included in the mandate of the Enforcement Branch?</i>
<b>Options</b>  <b><u>Option A</u></b>  Yes.  <b><u>Option B</u></b>  No.
<b>Description:</b> <i>Should provisions on the impact of response measures (Articles 3.14, 2.1 and 2.3) be included in the mandate of the Enforcement Branch?</i>
<b>Options</b>  <b><u>Option A</u></b>  Yes.  <b><u>Option B</u></b>  No.
<b>Decision</b>



<b>Issue: Reflection of principles</b>
<b>Description:</b> <i>Should there be an express reference to principles?</i>
<b>Options</b>
<b><u>Option A</u></b> To be reflected in the design of the compliance system.
<b><u>Option B</u></b> To be reflected in the preamble.
<b><u>Option C</u></b> To be inserted in separate section on principles.
<b><u>Option D</u></b> Combination of two or more of the above.
<b>Decision</b>

<b>Issue: Consideration of reports of the Expert Review Teams</b>
<b>Description:</b> <i>Should there be a role for the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol in considering the reports of the Expert Review Teams to be submitted to the Compliance Committee?</i>
<b>Options</b>
<b><u>Option A</u></b> Yes.
<b><u>Option B</u></b> No.
<b>Decision</b>