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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

CONFERENCE OF THE PARTIES

Sixth session, second part

Bonn, 16-27 July 2001

**NOTE BY THE PRESIDENT OF COP 6**

**Views from Parties**

**Note by the secretariat**

1. At its sixth session, the Conference of the Parties, by its decision 1/CP.6, invited Parties to submit views, by 15 January 2001, on the informal note by the President of COP 6 dated 23 November 2000 for compilation in a miscellaneous document (FCCC/CP/2000/5/Add.2).
2. Twenty-six such submissions\* have been received. 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.

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\* Some submissions have been reformatted in order to save paper (but without altering the text) and some were scanned in order to make them available on electronic systems, including the World Wide Web. The secretariat has made every effort to ensure the correct reproduction of the texts as submitted.

**FCCC/CP/2001/MISC.1**

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SUBMISSION NO. 1: ARGENTINA

**ARGENTINA'S AMENDMENTS TO THE NOTE OF THE PRESIDENT OF  
COP VI, DATED 23 NOVEMBER 2000**

**Box C. Land-use, land-use change and forestry**

*(new introduction)*

*Parties decide that LULUCF activities will be based on the following principles:*

*(a) Any land-use, land-use change and forestry activity carried out in addition to the commitments made under article 4.1 (d) of the Convention for the purposes of determining compliance of Annex I Parties with their quantitative emission limitation and reduction objectives under the Kyoto Protocol, must not change the global effect of the Kyoto Protocol, which is to mitigate climate change in the first commitment period equivalent to reducing Annex I anthropogenic emissions by sources covered by Annex A to the Kyoto Protocol by an aggregate proportion of at least 5 per cent with reference to their 1990 levels, in accordance with article 3.1 of the Kyoto Protocol;*

*(b) For the purposes of determining compliance of Annex I Parties with their quantitative emission limitation and reduction objectives, any land-use, land-use change and forestry activity must not result in an increase of anthropogenic emissions by sources minus removals by sinks deriving from the application of removals by sinks of carbon dioxide, indirect nitrogen fertilization effects and dynamic age structure;*

*(c) In view of the impact of climate change on forests and desertification, forest conservation and rehabilitation of degraded vegetation cover are potential climate change adaptation activities, and as such could be included among those activities to benefit from the share of proceeds of the mechanisms of the Protocol intended to meet the cost of adaptation. This is without prejudice to decisions on land-use, land-use change and forestry activities in the mechanisms of the Kyoto Protocol;*

*(d) The rules for the inclusion of land-use, land-use change and forestry activities in the accounting of Annex I countries, for purposes of compliance with their commitments under the Kyoto Protocol, must not imply a transfer of such commitments to a future commitment period;*

*(e) Carbon removals by land-use, land-use change and forestry activities shall be considered as a temporary removal. Any Annex I Party that makes use of such removal to achieve compliance with its Kyoto Protocol commitment shall continue to be responsible for any subsequent emissions;*

*(f) In the methodologies to account emissions by sources and removals by sinks in the land-use, land-use change and forestry sector, no consideration shall be given to the simple presence of stocks of carbon, in line with the provisions of article 5.4 of the Kyoto Protocol*

*(new preamble):*

*COP recommend to COP/MOP the following decisions:*

**Definitions for afforestation, reforestation and deforestation under article 3.3**

*1st paragraph: Delete second sentence*

*2nd paragraph: Parties decide to establish a process to investigate the ~~feasibility of applying~~ inclusion of biome-specific definitions for future commitment periods.*

### Additional activities and accounting under article 3.4

*Option 1: Strongly held view to oppose the inclusion of any 3.4 additional activity for the first commitment period.*

*Option 2: Revise text by:*

*(new) COP recommend to the COP/MOP*

*Eligible activities:*

*1st paragraph: parties decide to establish a process under SBSTA to develop a comprehensive set of definitions for the following activities: grazing land management, cropland management and forest management (~~broadly defined land management activities~~), revegetation/vegetation degradation (new).*

*2nd paragraph: (new) Parties will also decide to establish a process under SBSTA to assess aspects associated with scale, uncertainties and risks associated with the above-listed activities.*

*Accounting:*

*1st paragraph: same*

*2nd paragraph: Therefore Parties decide that the contribution of additional activities under article 3.4 towards meeting a Party's target in the first commitment period shall be limited to ~~3%~~ 1% of the Party's base year emissions.*

*3rd paragraph: same*

*First interval: same*

*Second interval 1st paragraph: Parties decide that carbon stock changes accounted for in accordance with the provisions of article 3.4 shall, for the ~~broadly~~ defined management activities, exclude the effects of:...*

*2nd paragraph: Therefore, Parties shall apply a reduction of 30% of the ~~net~~-carbon stock ~~changes~~ and ~~net~~ GHG ~~emissions~~ removals that result from additional cropland and grazing land management activities and of 85% to the ~~net~~ carbon stock ~~changes~~ and net GHG ~~emissions~~ removals that result from additional forest management.*

### Additional activities under article 3.4 in the second and consecutive commitment periods

*same*

### Implementation of article 3.7

*1st paragraph: same*

*2nd paragraph: Parties decide that eligibility to make use of this provision will be determined on the basis of a ~~reviewed national inventory~~ review by the Expert Review Team as established under article 8.*

### LULUCF under the Clean Development Mechanism

*1st, 2nd and 3rd paragraph: same*

*4th paragraph: Parties decide to establish a process under the SBSTA at its fifteenth session to develop rules and modalities taking into account further methodological work by the IPCC, where necessary, to deal with these issues.*

SUBMISSION NO. 2: ARMENIA

1. Taking in consideration that the text of FCCC/CP/2000/CRP.11 document was prepared based on the FCCC/SB/2000/CRP.16 and concern to the capacity building in all Non Annex I countries but in it's textual part it is referring to Non Annex I Parties as "developing countries". We suggest to add sentence in the preamble: " In the current document all provisions stated for the developing countries refer equally the all Non Annex I Parties".

2. In the Note by President of COP6 in the Box A "Convention Fund' under bullet 2 after the "activities in developing countries" to add "non Annex I countries".

3. In the Note by President of COP6 in the Box A "Actions to address impacts of response measures (Article 4.8)" in the second bullet instead of "Developing country Parties " to write "Non Annex I Parties".

The 4.Comment we would like to suggest in casee of consistency to the general procedure for voting established in the UN.

4. In the Note by President of COP6 in the Box B "A. Composition of the Executive Board of the CDM" under bullet 4 in the sentence "Any decision shall as a last resort be adopted by a three-fourths majority vote of the members present and voting in the meeting" to replace with "Any decision shall as a last resort be adopted by a three-fourths majority vote of the members present in the meeting".

SUBMISSION NO. 3: AUSTRALIA  
(on behalf of the Umbrella Group)

*Editor's note: Below is the text of a letter received by the UNFCCC secretariat from Mr. Ralph Hillman, Ambassador for the Environment, Ministry of Foreign Affairs, Australia, on behalf of the Umbrella Group.*

17 January 2001

I refer to the Executive Secretary's note dated 7 December 2000 regarding the opportunity for Parties to submit further comments on the informal note by the President dated 23 November 2000 for compilation into a miscellaneous document.

On behalf of the Umbrella Group, I would like to thank you for the suggestion that members consider harmonising their submissions on the President's note made during COP 6 into a single document. The Group has considered this proposal, but has decided that the most convenient approach given the 15 January deadline is for individual members to make their own submissions, either with fresh documents or by confirming that the comments they submitted in The Hague stand. Umbrella Group countries may, however, return with comments, either individually or as a group, at some later date.

We understand that President Pronk plans to put forward a revised version of his informal note taking account of comments received from Parties. We would welcome such an initiative as a way to advance the negotiations. We would hope that any new version would be available well in advance of the next ministerial level discussions so that the Group could have enough time to examine it carefully. The Group looks forward to having the opportunity to submit further comments on this revised paper, and will at that stage again examine the possibility of submitting combined comments.

Yours sincerely

Ralph Hillman

SUBMISSION NO. 4: AUSTRALIA

**Australia's Comments on Box A  
of the  
Note by the President of COP 6, 23/11/00**

22 January 2001

*Box A. Capacity building, technology transfer,  
Implementation of Articles 4.8/ 4.9; 3.14, finance*

**Funding mechanisms and guidance to the GEF**

Parties have reached general agreement on the frameworks for technology transfer, capacity building, adaptation and impacts of response measures, and other forms of assistance related to mitigation of, and adaptation to, climate change. These frameworks will further the objectives of the Convention, including as reflected in the Buenos Aires Plan of Action. Parties have also reached general agreement that special consideration will be given to the least developed countries and small island States amongst them.

Annex II Parties express their intent to seek, through a variety of means, including augmenting their bilateral programs, a significant increase in funding for international climate change related activities, recalling, *inter alia*, Article 4.3 of the Convention. Annex II Parties have also expressed their support for a successful replenishment of the Global Environment Facility and commitment to ensure that the GEF become more responsive to the needs and priorities of developing countries. Ownership and "country-drivenness" in GEF projects should be enhanced. The scope of activities funded by the GEF should also be broadened. GEF procedures and policies should be streamlined.

Adaptation fund

~~Parties decide to create a new fund under the GEF: the adaptation fund. Separate guidance will be given to the fund and special consideration will be given to the needs of the LDCs and SIDS.~~

- ~~❖ An adaptation fund will be established under the GEF as a trust fund.~~
- ~~❖ The implementation of concrete adaptation projects in non-Annex I Parties will be financed (stage III activities). Finance will be generated by the share of proceeds on the CDM (2% of the CERs generated by a project). Projects will be implemented by the UN implementing agencies~~
- ~~❖ The CDM Executive Board will manage the fund. The Board shall function under the guidance of, and be accountable to, the COP/MOP. Such guidance will be given by COP/MOP on programs, priorities and eligibility criteria for funding of adaptation activities.~~
- ~~❖ The following activities will be included in the category of adaptation activities: avoidance of deforestation, combating land degradation and desertification.~~

Parties declare their intention to seek the establishment of, and the resources to fund, a new window under the GEF: the Adaptation Fund.

- ❖ The fund will be used to finance the implementation of concrete pilot adaptation projects in developing country Parties. Projects will be implemented by the GEF Implementing Agencies.
- ❖ The GEF Secretariat will manage the fund. The fund will function under the guidance of the COP/MOP. Such guidance will be given on programs, priorities and eligibility criteria for funding of adaptation activities.



- ❖ The following activities will be included in the category of adaptation activities: avoidance of deforestation, combating land degradation and desertification.

Specific needs of the least developed countries (LDCs, including SIDS)

- ❖ Within the Adaptation Fund, a separate work programme will be established for the least developed countries and small island States, based upon the scope of needs identified in XX.CP6, XX.CP6...
- ❖ To encourage a greater flow of CDM projects to the LDCs, CDM projects in LDCs will be exempt from the share of the proceeds for adaptation. The implementation of 'small-scale CDM projects' will also be promoted.

Convention fund Mitigation Fund

~~Parties decide to create a new window under the GEF: a Convention fund. Separate guidance will be given to the fund and special consideration will be given to the needs of the LDCs and SIDS.~~

- ~~❖ The Convention fund will be a special window under the GEF~~
- ~~❖ Under this window, new and additional funding will be made available by Annex II Parties for activities in developing countries: technology transfer and technical support, capacity building related to climate change, specific CDM capacity building, national programmes containing mitigation measures, assistance with economic diversification. New and additional funding will also be made available for capacity building in Annex I Parties with economies in transition.~~
- ~~❖ Sources of funding will be:~~
  - ~~1. third replenishment to the GEF~~
  - ~~2. voluntary contributions by Annex II Parties~~
  - ~~3. Annex II Parties will transfer [X] percent of their initial assigned amount to the registry of the fund. Annex I Parties can acquire these units, on the basis of Article 17, for the purpose of meeting their commitments of Article 3.1.~~
  - ~~4. ODA~~
- ~~❖ The existing GEF council will manage the fund. The fund shall function under special guidance of, and be accountable to, the COP. This will ensure that the GEF becomes more responsive to the needs and priorities of developing countries. Ownership and "country driven ness" in GEF projects will be enhanced. The scope of activities funded by the GEF will also be broadened. GEF procedures and policies will be streamlined.~~

Parties declare their intention to seek the establishment of, and the resources to fund, a new window under the GEF: a Mitigation Fund.

- ❖ Under this window, new and additional funding will be made available by Annex II Parties for activities in developing countries focussing on technologies and practices to mitigate GHG emissions. Mitigation activities could include technology transfer and technical support, capacity building, specific CDM capacity building, and assistance with economic diversification. New and additional funding will also be made available for capacity building in Annex I Parties with economies in transition.
- ❖ Since the fund is directed to mitigation, access by non-Annex I Parties to resources from the Mitigation Fund shall be for the purpose of a Party's implementation of national abatement and sequestration strategies, which are to be consistent with criteria to be agreed.
- ❖ The GEF Secretariat will manage the fund. The new GEF window will operate under the policy guidance of the COP/MOP.

### *Resources*

~~In addition to the Adaptation and the Convention Fund Parties agree to increase resources for climate change funding, through other channels. They agree that the sum total should reach the level of one billion US\$ on an annual basis, as soon as possible, but not later than in the year 2005. If resources in 2005 would be less than one billion US\$, Parties agree to apply a levy on article 6 (Joint Implementation) and / or article 17 (emission trading).~~

### Funding and Modalities

Contributions from Annex II Parties will reflect their initial assigned amounts. These contributions should be made at rates adjusted to generate \$1 billion over the first commitment period. These may be directed to either the Adaptation or Mitigation funds or both, as Parties deem appropriate, with the modalities to be defined at COP 7. Finance for the Adaptation Fund will be generated by the share of the proceeds on the CDM (2% of the CERs generated by projects), voluntary contributions and by a percentage of assigned amount, or its financial equivalent.

- ❖ There will be periodic reviews of the modalities of the new GEF funds, including with respect to the level of funding and the eligibility requirements.

### Climate Resources Committee

Parties ~~decide~~ declare their intent to establish a Climate Resources Committee at COP7, with the following mandate:

- ❖ To give policy advice to existing multilateral financing channels and institutions such as the GEF, Regional Development banks, the World Bank, UNDP and other multilateral institutions. The advice will be focused on:
  - ~~Increasing climate funding~~
  - ~~Mainstreaming~~
  - ~~Monitoring and assessment~~
  - Mainstreaming climate-related objectives into existing financial flows.
  - Maximizing cost-effectiveness of climate change funding.

### Capacity building

Parties decide to establish a framework to guide capacity building activities related to the implementation of the Convention and effective participation in the Kyoto Protocol, in order to assist non-Annex II Parties. (*See Draft Decisions FCCC/SB/2000/CRP.16 and FCCC/SB/2000/CRP.17*).

### Technology transfer

- ❖ Parties decide to establish an intergovernmental consultative group of technical and scientific experts on technology transfer under the SBSTA
- ❖ The group will:
  - Facilitate the exchange and review of information by creating a clearing house and regional technology information centers;
  - Advise SBSTA on further actions to be taken.
  - Focus on ways and means to address the barriers for technology transfer as identified in the IPCC special report on technology transfer
  - Be composed on the basis of equal geographical distribution
- ❖ SBSTA will review the group's work on a regular basis, consider its advice and if

necessary request the COP to take any further action, including inter alia programs and priorities for financing of activities.

### **Adverse effects of climate change**

Parties not included in Annex I are encouraged to provide information, including for their national communications and any other relevant information sources, on their specific needs and concerns from the adverse effects of climate change.

Actions to be taken by Annex II Parties ~~include~~ are encouraged to support the following actions:

- ❖ Pilot or demonstration projects to show how adaptation planning and assessment can be practically translated into projects and integrated into national policy and sustainable development planning. Non-Annex I Party national communications, other relevant sources and the staged approach endorsed by the COP will serve as a basis.
- ❖ Adaptation projects, when sufficient information is available to warrant such activities, inter alia, in the areas of water resources management, land management, agriculture, health, infrastructure development, ecosystems, and integrated coastal zone management.
- ❖ Improved monitoring of diseases and disease control and prevention for Parties affected by climate change.
- ❖ Avoidance of deforestation and prevention of land deforestation, insofar as these activities related to climate change.
- ❖ Strengthening and, where necessary, establishing national and regional centres and information networks for rapid response to extreme weather events, utilizing information technology as much as possible.

### **Actions to address impacts of response measures (Article 3.14)**

Annex I Parties and other Parties in a position to do so ~~decide~~ are encouraged to report in their national communications on:

- ❖ The efforts to ~~limit~~ minimize the adverse social, environmental and economic impacts of the policies and measures they have adopted or are planning with the aim of addressing climate change, such as: reducing or phasing out ~~market imperfections (e.g., coal subsidies) and reducing or phasing out the use of high emissions energy carriers from all sources~~ subsidies on all greenhouse gas producing sectors.
- ❖ The national communications will be reviewed under the Kyoto Protocol (Article 8). A certain degree of flexibility shall be allowed to Parties included in Annex I undergoing the process of transition to a market economy.

### **Actions to address impacts of response measures (Article 4.8)**

- ❖ Annex II Parties ~~will~~ are encouraged to assist non-Annex I Parties adversely affected by response measures through concrete actions based on further methodological work in the field of technology transfer, capacity building, economic diversification, increasing energy efficiency in fossil fuel production, advanced fossil fuel technologies (including carbon capture and storage)
- ❖ Developing country Parties will report on their specific needs and concerns arising from the implementation of response measures, effectively implementing the guidelines for national communications

**Australia's Comments on Box B  
of the  
Note by the President of COP 6, 23/11/00**

**22 January 2001**

***Box B. Mechanisms***

Attached are Australia's comments on issues relating to the Kyoto mechanisms, structured to correspond with the headings in the President's Note. We attach greatest priority to our comments under the following headings:

1. Trading modalities and liability;
1. Supplementarity;
1. Fungibility; and
1. Composition of the Executive Board.

**COP/MOP <-> Executive Board**

**A. Composition of the Executive Board of the CDM**

- ❖ Parties agree that the composition of the Executive Board is an essential element in ensuring the integrity, credibility and efficient operationalisation of the CDM system. Parties therefore decide on a balanced approach in composition and voting procedures.
- ❖ ~~The balance in the Executive Board will be in accordance with current UNFCCC practices (equitable geographical representation of the five UN regional groupings, taking into account the interest groups as reflected by the current practice in the UNFCCC Bureau).~~
- ❖ ~~Equal numbers of members from each of the five UN regional groups, plus one representative from the group of small island developing States (16 members).~~
- ❖ The Executive Board shall consist of eight members chosen by and from among Parties included in Annex I and eight members chosen by and from among Parties not included in Annex I.
- ❖ Executive Board members shall make every effort to reach agreement on any proposed decision by consensus. Any decision shall as a last resort be adopted by a three-fourths majority vote of the members present and voting at the meeting, representing a majority of members from Parties included in Annex I and a majority of members from Parties not included in Annex I.

**B. Decision-making power of the COP/MOP vis-à-vis the Executive Board**

- ❖ The Executive Board shall be subject to the authority and guidance of, and be accountable to, the COP/MOP.

**C. Institutions for a prompt start for the CDM**

- ❖ Parties decide that a prompt start for the CDM will be operationalised by electing the prompt start Executive Board at the same time as the COP adopts the guidelines for Article 6, the modalities and procedures for Article 12 and the rules for Article 17 of the Kyoto Protocol. ~~will be elected at the next session of the subsidiary bodies.~~

- ❖ The Executive Board will be served by the UNFCCC secretariat.
- ❖ Appropriate resources ~~are~~ will be made available for the prompt start of the CDM.

### **Eligibility of project activities under the CDM**

- ❖ Parties recognize that it is up to the Party's discretion to judge whether a project activity is in line with its national strategy on sustainable development. No priorities or expedited considerations are required.
- ❖ ~~Annex I Parties will declare that they will refrain from using nuclear facilities for generating certified emission reductions under the CDM.~~
- ❖ ~~Parties decide that because of their contribution to the ultimate objective of the convention and to sustainable development, the following activities should be given priority and will have expedited consideration within the rules, modalities and procedures of the CDM:~~
  - ~~renewable energy (inter alia small scale hydro)~~
  - ~~energy efficiency improvements~~
- ❖ ~~Under the guidance of COP/MOP, the Executive Board shall further develop rules and modalities for the operationalisation of this decision.~~

### **Supplementarity**

- ❖ ~~Annex I Parties shall meet their emission commitments primarily through domestic action since 1990. Compliance with this principle will be assessed by the facilitative branch of the Compliance Committee on the basis of qualitative and quantified information, reported in national communications and reviewed under Article 8. The facilitative branch shall advise on how to ensure the effective implementation of this provision. A first assessment should be reported in the fourth national communications of Annex I Parties due in 2005.~~
- ❖ The Parties stress the desirability of each individual Annex I Party undertaking a significant part of the effort to achieve Article 3.1 commitments through domestic actions. Such actions could include, for example, a domestic emissions trading system.
- ❖ To this end, each individual Annex I Party will submit a detailed report, at the end of the additional period for fulfilling commitments, on the effects of its domestic actions on its net emissions during the commitment period.
- ❖ Compliance with this reporting requirement will fall within the mandate of the facilitative branch of the Compliance Committee.

### **Trading modalities and liability**

- ❖ Parties agree that Article 17 provides opportunities for Parties to fulfill their commitments in a cost-effective way. Parties also recognize that reporting, review and a strong and enforceable compliance regime will discourage ~~are not sufficient to prevent~~ Parties from overselling,<sup>5</sup> ~~thereby potentially endangering the environmental integrity of the system.~~
- ❖ A Party included in Annex B whose actual emissions for the commitment period, after the additional period for fulfilling commitments referred to in the procedures and mechanisms on compliance, exceed the ERUs, CERs and AAUs it has retired for compliance purposes, shall be subject to the provisions of the procedures and mechanisms on compliance adopted by the COP/MOP.

- ❖ ~~Parties therefore decide that in the first commitment period, each Annex B Party and each Party operating under an Article 4 arrangement Parties shall not make a transfer that would reduce the total holdings of its retain a portion of their assigned amounts from the first commitment period in that Party's their national registries (excluding cancellations) specific to that commitment period. This portion shall be below an amount equal to 60 70-percent of (a) its initial their assigned amounts or (b) five times its most recently reviewed emissions inventory, whichever is lower. the portion determined on the basis of projected or recent emissions.~~
- ❖ A Party will be eligible to trade after a 9-month waiting period after having submitted its required report on its baseyear/initial assigned amount, national inventory and registry - or earlier if the enforcement branch of the Compliance Committee has notified that it is not proceeding with any question of implementation with respect to that Party - unless the Compliance Committee finds that the Party has not met the requirements covered by the report. There shall be no other restrictions on trading other than eligibility relating to reporting on a Party's baseyear/initial assigned amount, national inventory and national registry.
- ❖ The COP, not the COP/MOP, should establish the rules by which emission credits are traded.
- ❖ ~~After the annual review of each Party's emissions data, the portion of assigned amount that must be retained shall be recalculated and, if necessary, adjusted.~~

### **Fungibility**

- ❖ ~~Parties should protect the climate system for the benefit of present and future generations of human kind, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities. Accordingly, the developed country Parties should take the lead in combating climate change and the adverse effects thereof. Parties affirm that in their actions to achieve the purpose of the mechanisms, Parties shall be guided by Article 2 of the Convention and the principles contained in Article 3 of the Convention.~~
- ❖ ~~Parties note 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 developments needs.~~
- ❖ ~~Parties recognize that the Kyoto Protocol has not created or bestowed—on Parties included in Annex I to the Convention and in Annex B to the Protocol—any right, title or entitlement to emissions of any kind in the pursuance of Articles 3, 6, 12, 17 of the Kyoto Protocol which affects the consideration or decision making on subsequent commitments. Parties recognize that the consideration of such commitments should be based on equitable criteria, common but differentiated responsibilities and respective capabilities.~~
- ❖ Parties note that additions to and subtractions from assigned amount under Article 3, while adjusting the assigned amount, do not alter commitments as defined in Article 3.1. emissions reduction units (under 'joint implementation ') and parts of an assigned amount (under emissions trading) could be added to, or subtracted from, the assigned amount of a Party. Parties agree that certified emissions reduction units (CDM) could be added to the assigned amount of a Party and could be used for the purpose of contributing to compliance with the quantified emission limitation and reduction commitments in Article 3 without altering that Party's assigned amount pursuant to its commitments inscribed in Annex B.
- ❖ Parties note that AAUs, CERs and ERUs may be used by a Party toward meeting its current commitment or banked for use toward meeting a future commitment or transferred to other

Parties.

- ❖ ~~Parties decide that emission reduction units and parts of assigned amount” may be exchanged according to the rules and procedures to be established by the COP/MOP.~~

**Promotion of geographic distribution of CDM projects**

- ❖ ~~Parties agree that there should be opportunities for all Parties to participate in the CDM, and decide that an equitable distribution of CDM projects will be fostered. Therefore standardized baselines, which are based on an appropriate Annex I average, may be used for small-scale projects (<XMw) and renewable energy projects (<XMw). The Executive Board is asked to elaborate on and make recommendations on promoting preferential treatment of these specific projects types.~~
- ❖ ~~Parties decide to foster LDC participation in the CDM by:~~
  - ~~Special attention will be paid to institutional capacity building for LDCs;~~
  - ~~CDM projects in LDCs will be exempt from the share of proceeds for adaptation;~~
  - ~~Public funding of a CDM project should be additional to current ODA.~~

**Procedures for “joint implementation”**

- ❖ Parties note that “joint implementation” takes place among Annex I Parties with greenhouse gas emission limitation and reduction commitments. Therefore, Parties decide that there is no need for stringent procedures on verification if Parties meet the reporting requirements. Parties note that if Parties do not meet these reporting requirements, they should follow the same rigorous procedures as provided for under the CDM procedures.

**Australia’s Comments on  
the  
Note by the President of COP 6, 23/11/00**

**22 January 2001**

*Proposal of Australia, Canada, Japan and the United States*

**Box B (bis)**

Issues Related to Article 4

- There must be parity of treatment among all Annex I Parties, including those under an Article 4 arrangement
- In terms of compliance, environmental integrity dictates that any restrictions on transfers of assigned amount must include transfers under an Article 4 agreement.
- Surplus assigned amount may not be banked by Article 4 Parties when any members of the arrangement needs such assigned amount to meet its Article 3.1 commitment. Pursuant to Article 4.6 of the Protocol, any consequences for non-compliance with Article 3.1 apply to both the regional economic integration organization and any individual member state in non-compliance.
- In terms of mechanisms, 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 apply equally to Article 4.
- Any recommendations regarding domestic action apply to each individual member of an Article 4 agreement.

- In order to assess compliance with Protocol commitments, reporting requirements must apply to Article 4 Parties both collectively and as individual Parties.

**Australia's Comments on Box C  
of the  
Note by the President of COP 6, 23/11/00**

**22 January 2001**

*Box C. Land-use, Land-use change and forestry*

**Definitions for afforestation, reforestation and deforestation under article 3.3**

- ❖ Parties agree that for the implementation of Article 3.3, "forest" is defined in accordance with the FAO definition. Parties recognize that there should be certain flexibility in applying the FAO values in order to reflect national circumstances.
- ❖ Parties decide to establish a process to investigate the feasibility of applying biome-specific forest definitions for future commitment periods
- ❖ Parties decide that for defining afforestation, reforestation and deforestation the set of IPCC definitions shall be applied. According to the IPCC Special Report, this set of definitions delivers an accounting system that is closest to the actual exchange between lands brought under the system and the atmosphere.

**Additional activities and accounting under Article 3.4**

*Eligible activities:*

- ❖ Parties decide that a Party may include one or more of the following activities: grazing land management, cropland management and forest management (broadly defined land management activities), revegetation (narrowly defined activity).

*Accounting:*

- ❖ Parties recognize that the scale of the forest management activities applied could lead to major modifications in the effort for Parties to meet the article 3.4 commitments.
- ❖ Therefore Parties decide that the contribution of additional forest management -activities under article 3.4, towards meeting a Party's target in the first commitment period shall be limited to 3-4% of the Party's base year emissions.
- ❖ In addition Parties decide that accounting for additional activities shall take place in two distinguished intervals:

*First interval (full crediting up to level of 3.3 debit)*

- Parties recognize the unintended outcome of article 3.3, namely that countries who have an overall increase in their total forest carbon stock, may nevertheless have their assigned amounts reduced because of accounting and definitional conventions under article 3.3.
- Therefore, Parties decide that Parties may fully account for carbon stock changes and net GHG emissions in areas under forest management up to a level that is equal to the net debit incurred under the provisions of article 3.3, under the condition that the total forest carbon stock change since 1990 in that country compensates the net debit incurred under the provisions of article 3.3. This first interval shall not be more than 30 Mt CO<sub>2</sub> per year.
- Parties also recognize the unintended outcome under Article 3.3 in situations where Parties have created new fast growing forests after 1990 which are then harvested, those Parties would effectively lose assigned amount equivalent to the total carbon stock increase since 2008.



- Therefore Parties decide that reductions in assigned amount resulting from harvesting following forest establishment since 1990 shall not be greater than previously earned increases on that unit of land.

*Second interval (discounted crediting in remaining interval to factor out non-direct human induced effects and to address uncertainty)*

- Parties decide that carbon stock changes accounted for in accordance with the provisions of article 3.4 shall, for the broadly defined management activities, exclude the effects of
  - indirect nitrogen deposition,
  - elevated CO<sub>2</sub> concentrations,
  - other indirect effects and,
  - (for forest ecosystems) the dynamic effects of age structure resulting from management activities before 1990
- Therefore, Parties shall apply a reduction of 30% to the net carbon stock changes and net GHG emissions that result from additional cropland and grazing land management activities and of 85/95% to the net carbon stock changes and net GHG emissions that result from additional forest management up to a defined threshold. To ensure incentives for further actions full credit will be applied to carbon stock changes or net greenhouse gas emissions from forest management activities above the defined threshold..

#### **Additional activities under Article 3.4 in the second and consecutive commitment periods**

- ❖ Parties decide that the CoP/moP shall, prior to the fixing of emission commitments for subsequent commitment periods, review the list of agreed additional activities for use in second and subsequent commitment periods, together with the rules, modalities and guidelines for their accounting.
- ❖ ~~Parties further decide that accounting of carbon stock changes and net GHG emissions shall be limited to direct human induced changes on carbon stocks and net GHG emissions. Parties therefore establish a process to periodically review the approach taken with respect to factoring out, taking into account methodological work by the IPCC on this matter. Parties affirm that Parties should not receive credit for carbon stock changes attributable to indirect human induced factors and agree to establish a scientific process to review the related science. Parties also agree to establish further scientific work on long term natural variability.~~

#### **Implementation of Article 3.7**

- ❖ Parties note that, for those Parties for whom land-use change and forestry constituted a net source in 1990, emissions and removals resulting from land-use change should be included in the 1990 emissions base year in accordance with the provisions of Article 3.7.
- ❖ ~~Parties decide that eligibility to make use of this provision will be determined on the basis of a reviewed national inventory. Parties confirm that eligibility to make use of this provision is determined in accordance with the requirements of the Revised 1996 IPCC Inventory Guidelines for National Greenhouse Gas Inventories as adopted by the Conference of Parties at its Third Session.~~

#### **LULUCF under the Clean Development Mechanism**

- ❖ Parties agree that LULUCF activities can contribute to the two-fold purpose of the CDM. Parties therefore decide to include afforestation and reforestation under the CDM for the first commitment period. However they also recognize the special concerns, which arise from implementing these projects.
- ❖ Parties decide that activities, preventing deforestation and land degradation, will not be eligible as credit generating projects under the CDM for the first commitment period but may be considered for further commitment periods. However, †These activities may also be

~~considered will be labeled as priority projects to be for funding~~ under the adaptation fund in order to address drought, desertification and watershed protection, forest conservation, restoration of native forest ecosystems, restoration of salinised soils.

- ❖ Parties recognize that accounting modalities and definitions developed for Article 3.3 may need to be modified for the CDM, and that the issues of non-permanence, social and environmental effects, leakage, additionality and uncertainty should be properly addressed. LULUCF projects would also need to be in conformity with the objectives of other multilateral environmental agreements.
- ❖ Parties therefore decide to establish a process under the SBSTA to further develop rules and modalities taking into account further methodological work by IPCC, where necessary, to deal with these issues.

**Australia's Comments on Box D  
of the  
Note by the President of COP 6, 23/11/00**

**15 January 2001**

*Box D. Policies and Measures, Compliance,  
Accounting, Reporting and Review*

**Policies and measures**

- ❖ Parties decide to continue exchange of information on Policies and Measures.
- ❖ Parties decide to invite submissions by Annex I Parties on ~~the meaning of~~ demonstrable progress and the need for guidelines for reporting on this progress (Article 3.2 of the Kyoto Protocol) for SBSTA 14, with a view to have a further consideration at CoP-7.

(Note: whether the suggested timeframes of submissions by SBSTA 14 and further consideration at COP 7 are feasible will depend on the timing of COP 6 (bis) and its outcomes.)

**Compliance: consequences of non-compliance with Article 3.1**

- ❖ Parties decide that consequences for non-compliance with Article 3.1 should be agreed in advance and should not be subject to the discretion of the enforcement branch.
- ❖ Parties recognize that ~~subtraction~~ restoration of excess emissions by a Party in from a party's assigned amount for the subsequent commitment period against a ~~penalty~~ rate which discourages delay guarantees environmental integrity, provided that the adoption and the entry into force of the emission commitments for subsequent commitment periods are timely.
- ~~❖ Parties note that penalty rates will be an essential element of the compliance system. Although they will partly serve as an interest rate for the delays in the achievement of emission commitments, they should also be an incentive to comply and they should, therefore, be set at a relatively high level.~~
- ❖ Parties note that as future targets are expected to be more stringent, Parties needing to restore excess emissions in subsequent commitment periods will face a higher carbon price. A restoration rate of 1.0 therefore includes an incentive to comply as Parties delaying compliance must pay a higher cost of abatement.
- ❖ Parties further note that a punitive restoration rate could result in countries having difficulties with their target to withdraw from the Protocol, which would weaken efforts to meet the Protocol's environmental objective.
- ❖ Parties decide that emission commitments for the second commitment period should be adopted before the beginning of the first commitment period.
- ❖ Parties decide that, if a Party has been determined as being in non compliance with its commitments under Article 3.1, the enforcement branch should apply the following

consequences:

- ~~Subtraction of excess emissions from the assigned amount of~~ The Party shall restore its excess emissions in the subsequent commitment period.
- ~~Penalty The restoration rate should be set at 1.0, 1.5 and be increased by 0.25 after the subsequent commitment period if the Party concerned is not in compliance at the end of the subsequent commitment period.~~
- ~~Parties~~ The Party concerned shall after determination of non compliance, develop and submit to the enforcement branch for its approval a compliance action plan setting out how it proposes to restore the excess emissions they propose to meet their commitments in the subsequent commitment period.

### **Compliance: differentiation between Parties (in particular Annex I and non-Annex I)**

- ❖ Parties decide that the mandate of the enforcement branch will be initially limited to obligations that are incumbent on Annex I Parties.
- ❖ There will be no eligibility requirements for non-Annex I Parties in respect of their participation in the CDM, recognizing that only Parties can participate in the CDM that have ratified the Kyoto Protocol. ~~and meet commitments under Article 12 of the Convention taking into account the availability of financial resources.~~
- ❖ There will be no differentiation between Annex I Parties and non-Annex I Parties in respect of the application of consequences by the facilitative branch.

### **Compliance: relationship between the COP/MOP and the Compliance Committee**

- ❖ Parties decide that the role of the COP/MOP should be limited to giving general policy guidance to the Compliance Committee and that it should not intervene in individual cases.
- ❖ Parties decide that there is no need for an appeals procedure.

### **Mandates enforcement branch and facilitative branch**

- ❖ Parties decide that the mandate of the enforcement branch covers quantitative emission commitments, eligibility requirements under Articles 6, 12 (only Annex I Parties) and 17 as well as requirements under Articles 5.2 and 7.4.
- ❖ All other cases ~~of non-compliance~~ fall exclusively within the mandate of the facilitative branch, including Articles 2.3, 3.14, 5.1, 7.1, 7.2, 10 and 11, taking into account the character of commitments for Annex I and Non Annex I Parties.
- ❖ The facilitative branch shall be responsible for providing advice, and facilitation to parties in implementing the Kyoto Protocol. ~~and promoting compliance of Parties with their commitments under the Protocol.~~

### **Compliance: composition of the Compliance Committee**

- ❖ Parties decide to establish a Compliance Committee, which shall function through two branches namely a facilitative branch and an enforcement branch.

#### *Facilitative branch*

- ❖ Parties decide that one half of the members of the facilitative branch shall be nominated by Parties included in Annex I and one half nominated by Parties not included in Annex I. the balance in the facilitative branch will be in accordance with current UNFCCC practices (equitable geographical representation of the five UN regional groups, taking into account interest groups as reflected by the current practice in the UNFCCC Bureau).
- ❖ Equal numbers of members from each of the five UN regional groups, plus one representative from the group of small island developing States.
- ❖ The facilitative branch shall consist of ~~11~~ 10 members.

- ❖ Facilitative branch members shall make every effort to reach agreement on any proposed decision by consensus. Any decision shall, as a last resort, be adopted by a ~~three-fourths~~ four-fifths majority vote of the members present and voting at the meeting, representing a majority of members from Parties included in Annex I and a majority of members not included in Annex I.

*Enforcement branch*

- ~~❖ Parties decide that the balance in the enforcement branch will be in accordance with current UNFCCC practices (equitable geographical representation of the five UN regional groupings, taking into account the interest groups as reflected by the current practice in the UNFCCC Bureau).~~
- ❖ ~~Equal numbers of members from each of the five UN regional groups, plus one representative from the group of small island developing States.~~
- ❖ The enforcement branch shall consist of ~~11~~ 5 members nominated by Annex I Parties.
- ❖ Enforcement branch members shall make every effort to reach agreement on any proposed decision by consensus. Any decision shall as a last resort be adopted by a:
  - ~~Three-fourths~~ four-fifths majority vote of the members present and voting at the meeting
  - ~~Double majority (majority as a whole and in annex I and non-annex I).~~

**Compliance: Legal basis, the form of adoption of the final result on compliance**

- ❖ Parties decide that the adoption of the compliance system should be by decision of the COP/MOP., including binding consequences, should be legally based on:
  - An agreement supplementing the Kyoto Protocol prior to its entry into force

(Note: Australia supports politically agreed (non-binding) consequences and remains unconvinced by arguments that binding consequences are needed to ensure that Parties meet their targets. Australia considers that Parties ratify the Protocol intending to honour their commitments, and if they fail to meet their targets it will be due to capacity problems rather than lack of will. Binding consequences will not alter this.)

SUBMISSION NO. 5: BOLIVIA

*Box A. Capacity building, technology transfer,  
Implementation of Articles 4.8/ 4.9; 3.14, finance*

**Funding mechanisms and guidance to the GEF**

Parties have reached general agreement on frameworks for technology transfer, capacity building, adaptation and impacts of response measures.

Adaptation fund

Parties decide to create a new fund under the ~~GEF~~ **COP/MOP**: the adaptation fund. Separate guidance will be given to the fund and special consideration will be given to the needs of the LDCs and SIDs.

- ❖ An adaptation fund will be established under the ~~GEF~~ **COP/MOP** as a trust fund.
- ❖ The implementation of concrete adaptation projects in non-Annex I Parties will be financed (stage III activities). Finance will be generated by the share of proceeds on the CDM (2 % of the CERs generated by a project). Projects will be implemented by the UN implementing agencies
- ❖ The CDM Executive Board will manage the fund. The Board shall function under the guidance of, and be accountable to, the COP/MOP. Such guidance will be given by COP/MOP on programs, priorities and eligibility criteria for funding of adaptation activities.
- ❖ The following activities will be included in the category of adaptation activities: avoidance of deforestation, combating land degradation and desertification.

Convention fund

Parties decide to create a new window under the ~~GEF~~ **trusteeship of a UN specialized agency, such as UNDP and/or UNEP**: a Convention fund. Separate guidance will be given to the fund and special consideration will be given to the needs of the LDCs and SIDs.

- ❖ ~~The Convention fund will be a special window under the GEF~~ **shall be a separate entity under the Convention.**
- ❖ Under this ~~window fund~~, new and additional funding will be made available by Annex II Parties for activities in developing countries: technology transfer and technical support, capacity building related to climate change, specific CDM capacity building, national programmes containing mitigation measures, assistance with economic diversification. New and additional funding will also be made available for capacity building in Annex I Parties with economies in transition.
- ❖ Sources of funding will be:
  1. ~~third replenishment to the GEF~~
  2. voluntary contributions by Annex II Parties
  3. Annex II Parties will transfer [X] percent of their initial assigned amount to the registry of the fund. Annex I Parties can acquire these units, on the basis of Article 17, for the purpose of meeting their commitments of Article 3.1.
  4. **New and additional ODA**

~~The existing GEF council will manage the fund~~ **shall be managed under the guidance of the COP/MOP. The fund shall function under special guidance of, and be accountable to, the COP.** This will ensure that the GEF becomes more responsive to the needs and priorities of developing countries. Ownership and “country driven ness” in GEF projects will be enhanced. The scope of activities funded by the GEF will also be broadened. GEF procedures and policies will be streamlined.

### Resources

In addition to the Adaptation and the Convention Fund Parties agree to increase resources for climate change funding, through other channels. They agree that the sum total should reach the level of one billion US\$ on an annual basis, as soon as possible, but not later than in the year 2005. If resources in 2005 would be less than one billion US\$, Parties agree to apply a levy on article 6 (Joint Implementation) and / or article 17 (emission trading).

### Climate Resources Committee

Parties decide to establish a Climate Resources Committee at COP7, with the following mandate:

- ❖ To give policy advice to existing financing channels and institutions such as the GEF, Regional Development banks, the World Bank, UNDP and other multilateral institutions. The advice will be focused on:
  - ❖ Increasing climate funding
  - ❖ Mainstreaming
  - ❖ Monitoring and assessment

### Capacity building

Parties decide to establish a framework to guide capacity building activities related to the implementation of the Convention and effective participation in the Kyoto Protocol, in order to assist non-Annex II Parties. (See *Draft Decisions FCCC/SB/2000/CRP.16 and FCCC/SB/2000/CRP.17*).

### Technology transfer

- ❖ Parties decide to establish an intergovernmental consultative group of technical and scientific experts on technology transfer under the SBSTA
- ❖ The group will:
  - Facilitate the exchange and review of information by creating a clearing house and regional technology information centers;
  - Advise SBSTA on further actions to be taken.
  - Focus on ways and means to address the barriers for technology transfer as identified in the IPCC special report on technology transfer
  - Be composed on the basis of equal geographical distribution
- ❖ SBSTA will review the group's work on a regular basis, consider its advice and if necessary request the COP to take any further action, including inter alia programs and priorities for financing of activities.

### Adverse effects of climate change

Actions to be taken by Annex II Parties include:

- ❖ Pilot or demonstration projects to show how adaptation planning and assessment can be practically translated into projects and integrated into national policy and sustainable development planning. Non-Annex I Party national communications, other relevant sources and the staged approach endorsed by the COP will serve as a basis.
- ❖ Adaptation projects, when sufficient information is available to warrant such activities, inter alia, in the areas of water resources management, land management, agriculture, health , infrastructure development, ecosystems, and integrated coastal zone management
- ❖ Improved monitoring of diseases and disease control and prevention for Parties affected by climate change
- ❖ Avoidance of deforestation and prevention of land degradation, insofar as these activities are related to climate change

- ❖ Strengthening and establishing national and regional centers and information networks for rapid response to extreme weather events, utilizing information technology as much as possible

#### **Actions to address impacts of response measures (Article 3.14)**

Annex I Parties and other Parties in a position to do so decide to report in their national communications on:

- ❖ The efforts to limit the adverse social, environmental and economic impacts of the policies and measures they have adopted or are planning with the aim of addressing climate change, such as: reducing or phasing out market distorting instruments (e.g. coal subsidies) and reducing or phasing out the use of high emission energy carriers
- ❖ The national communications will be reviewed under the Kyoto Protocol (Article 8). A certain degree of flexibility shall be allowed to Parties included in Annex I undergoing the process of transition to a market economy.

#### **Actions to address impacts of response measures (Article 4.8)**

- ❖ Annex II Parties will assist non-Annex I Parties adversely affected by response measures through concrete actions based on further methodological work in the field of technology transfer, capacity building, economic diversification, increasing energy efficiency in fossil fuel production, advanced fossil fuel technologies (including carbon capture and storage)
- ❖ Developing country Parties will report on their specific needs and concerns arising from the implementation of response measures, effectively implementing the guidelines for national communications

#### **Specific needs of the least developed countries (LDCs, including SIDS)**

- ❖ A separate work programme will be established for LDCs to be financed by the GEF, focussing on:
  - Early launch of vulnerability and adaptation needs assessments, including capacity building and technical assistance
  - Development of national adaptation programmes of action
  - Priority for implementation of concrete adaptation projects. Disaster relief, avoidance of deforestation and prevention of land degradation may be included.
  - Establishment of an LDC group of experts to assist in national adaptation programmes of action
- ❖ To encourage a greater flow of CDM projects to the LDCs, CDM projects in LDCs will be exempt from the share of proceeds for adaptation. The implementation of 'small scale CDM projects' will also be promoted

#### ***Box B. Mechanisms***

#### **COP/MOP <-> Executive Board**

##### **A. Composition of the Executive Board of the CDM**

- ❖ Parties agree that the composition of the Executive Board is an essential element in ensuring integrity, credibility and efficient operationalisation of the system. Parties therefore decide on a balanced approach in composition and voting procedures.
- ❖ The balance in the Executive Board will be in accordance with current UNFCCC practices (equitable geographical representation of the five UN regional groupings, taking into account the interest groups as reflected by the current practice in the UNFCCC Bureau).
- ❖ Equal numbers of members from each of the five UN regional groups, plus one representative

from the group of small island developing States (16 members).

- ❖ Executive Board members shall make every effort to reach agreement on any proposed decision by consensus. Any decision shall as a last resort be adopted by a three-fourths majority vote of the members present and voting at the meeting.

#### *B. Decision-making power of the COP/MOP vis-à-vis the Executive Board*

- ❖ The Executive Board shall be subject to the authority and guidance of, and be accountable to, the COP/MOP.

#### *C. Institutions for a prompt start for the CDM*

- ❖ Parties decide that a prompt start for the CDM will be operationalised by electing the Executive Board 2 at the next session of the subsidiary bodies.
- ❖ The Executive Board will be served by the UNFCCC secretariat.
- ❖ Appropriate resources are will be made available for the prompt start of the CDM.

#### **Eligibility of project activities under the CDM**

- ❖ Parties recognize that it is up to the Party's discretion to judge whether a project activity is in line with its national strategy on sustainable development.
- ❖ Annex I Parties will declare that they will refrain from using nuclear facilities for generating certified emission reductions under the CDM.
- ❖ Parties decide that because of their contribution to the ultimate objective of the convention and to sustainable development, the following activities should be given priority and will have expedited consideration within the rules, modalities and procedures of the CDM:
  - renewable energy (inter alia small scale hydro)
  - energy efficiency improvements

**[First option: Delete the entire bullet above. Second option: add the following category of activities:]**

- **reduction of emissions by sources in the LULUCF sector**
- ❖ Under the guidance of COP/MOP, the Executive Board shall further develop rules and modalities for the operationalisation of this decision.

#### **Supplementarity**

- ❖ Annex I Parties shall meet their emission commitments primarily through domestic action since 1990. Compliance with this principle will be assessed by the facilitative branch of the compliance committee on the basis of qualitative and quantified information, reported in national communications and reviewed under Article 8. The facilitative branch shall advise on how to ensure the effective implementation of this provision. A first assessment should be reported in the fourth national communications of Annex I Parties due in 2005.

#### **Trading modalities and liability**

- ❖ Parties agree that Article 17 provides opportunities for Parties to fulfill their commitments in a cost-effective way. Parties also recognize that reporting, review and a strong and enforceable compliance regime are not sufficient to prevent Parties from overselling, thereby potentially endangering the environmental integrity of the system.
- ❖ Parties therefore decide that Annex B Parties ~~shall retain a portion of their assigned amounts in their national registries specific to that commitment period. This portion shall be 70 percent of their assigned amounts or the portion determined on the basis of projected or recent emissions can only sell the emission reduction units in surplus of those used to meet their~~



**emission reduction commitments, in each commitment period.**

- ❖ After the annual review of each Party's emissions data, the portion of assigned amount that must be retained shall be recalculated and, if necessary, adjusted.

**Fungibility**

- ❖ Parties should protect the climate system for the benefit of present and future generations of human kind, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities. Accordingly, the developed country Parties should take the lead in combating climate change and the adverse effects thereof. Parties affirm that in their actions to achieve the purpose of the mechanisms, Parties shall be guided by Article 2 of the Convention and the principles contained in Article 3 of the Convention.
- ❖ Parties note 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 developments needs.
- ❖ Parties recognize that the Kyoto Protocol has not created or bestowed - on Parties included in Annex I to the Convention and in Annex B to the Protocol - any right, title or entitlement to emissions of any kind in the pursuance of Articles 3, 6, 12, 17 of the Kyoto Protocol which affects the consideration or decision-making on subsequent commitments. Parties recognize that the consideration of such commitments should be based on equitable criteria, common but differentiated responsibilities and respective capabilities.
- ❖ Parties note that emissions reduction units (under 'joint implementation ') and parts of an assigned amount (under emissions trading) could be added to, or subtracted from, the assigned amount of a Party. Parties agree that certified emissions reduction units (CDM) could be added to the assigned amount of a Party and could be used for the purpose of contributing to compliance with the quantified emission limitation and reduction commitments in Article 3 without altering that Party's assigned amount pursuant to its commitments inscribed in Annex B.
- ❖ Parties decide that emission reduction units and parts of assigned amount" may be exchanged according to the rules and procedures to be established by the COP/MOP.

**Promotion of geographic distribution of CDM projects**

- ❖ Parties agree that there should be opportunities for all Parties to participate in the CDM and decide that an equitable distribution of CDM projects will be fostered. Therefore standardized baselines, which are based on an appropriate Annex I average, may be used for small-scale projects (<XMw) and renewable energy projects (<XMw) The Executive Board is asked to elaborate on and make recommendations on preferential treatment of these specific project types.
- ❖ Parties decide to foster LDC participation in the CDM by:
  - Special attention ~~will be~~ paid to institutional capacity building for LDCs;
  - CDM projects in LDCs will be exempt from the share of proceeds for adaptation;
  - Public funding of a CDM project should be additional to current ODA.

**Procedures for "joint implementation"**

- ❖ Parties note that "joint implementation" takes place among Annex I Parties with greenhouse gas emission limitation and reduction commitments. ~~Therefore, Parties decide that there is no need for stringent the adequate~~ procedures on verification ~~if Parties meet the reporting requirements.~~ Parties note that ~~if Parties do not meet these requirements, they joint~~ **implementation projects** should follow the same rigorous procedure as provided for under the CDM procedures.

### *Box C. Land-use, Land-use change and forestry*

#### **Definitions for afforestation, reforestation and deforestation under article 3.3**

- ❖ Parties agree that for the implementation of Article 3.3, “forest” is defined in accordance with the FAO definition. ~~Parties recognize that there should be certain flexibility in applying the FAO values in order to reflect national circumstances.~~
- ❖ Parties decide to establish a process to investigate the ~~feasibility of applying~~ **inclusion of** biome-specific forest definitions for future commitment periods
- ❖ Parties decide that for defining afforestation, reforestation and deforestation the set of IPCC definitions shall be applied. According to the IPCC Special Report, this set of definitions delivers an accounting system that is closest to the actual exchange between lands brought under the system and the atmosphere.

#### **Additional activities and accounting under Article 3.4**

##### *Eligible activities:*

- ❖ Parties decide that a Party may include the following activities: grazing land management, cropland management and forest management (~~broadly defined land management activities~~), revegetation (narrowly defined activity) **and degradation of vegetation.**

##### *Accounting:*

- ❖ Parties recognize that the scale of the activities applied could lead to major modifications in the effort for Parties to meet the article 3 commitments.
- ❖ Therefore Parties decide that the contribution of additional activities under article 3.4, towards meeting a Party’s target in the first commitment period shall be limited to ~~3%~~ **1%** of the Party’s base year emissions.
- ❖ In addition Parties decide that accounting for additional activities shall take place in two distinguished intervals:

##### *First interval (full crediting up to level of 3.3 debit)*

- Parties recognize the unintended outcome of article 3.3, namely that countries who have an overall increase in their total forest carbon stock, may nevertheless have their assigned amounts reduced because of accounting and definitional conventions under article 3.3.
- Therefore, Parties decide that Parties may fully account for carbon stock changes and net GHG emissions in areas under forest management up to a level that is equal to the net debit incurred under the provisions of article 3.3, under the condition that the total forest carbon stock change since 1990 in that country compensates the net debit incurred under the provisions of article 3.3. This first interval shall not be more than 30 Mt CO<sub>2</sub>.

##### *Second interval (discounted crediting in remaining interval to factor out non-direct human induced effects and to address uncertainty)*

- Parties decide that carbon stock changes accounted for in accordance with the provisions of article 3.4 shall, for the broadly defined management activities, exclude the effects of
  - indirect nitrogen deposition,
  - elevated CO<sub>2</sub> concentrations,
  - other indirect effects and,
  - (for forest ecosystems) the dynamic effects of age structure resulting from management activities before 1990
- Therefore, Parties shall apply a reduction of 30% to the ~~net carbon stock changes~~ **increase** and ~~net GHG emissions~~ **removals** that result from additional cropland and grazing land management activities and of 85% to the ~~net carbon stock changes~~ **increase** and net GHG ~~emissions~~ **removals** that result from additional forest management.

### **Additional activities under Article 3.4 in the second and consecutive commitment periods**

- ❖ Parties decide that the CoP/moP shall, prior to the fixing of emission commitments for subsequent commitment periods, review the list of agreed additional activities for use in the second and subsequent commitment periods, together with the rules, modalities and guidelines for their accounting.
- ❖ Parties further decide that accounting of carbon stock changes and net GHG emissions shall be limited to direct human induced changes on carbon stocks and net GHG emissions. Parties therefore establish a process to periodically review the approach taken with respect to factoring out, taking into account methodological work by the IPCC on this matter.

### **Implementation of Article 3.7**

- ❖ Parties note that, for those Parties for whom land-use change and forestry constituted a net source in 1990, emissions and removals resulting from land-use change should be included in the 1990 emissions base year in accordance with the provisions of Article 3.7.
- ❖ Parties decide that eligibility to make use of this provision will be determined on the basis of a reviewed national inventory

### **LULUCF under the Clean Development Mechanism**

- ❖ Parties agree that LULUCF activities can contribute to the two-fold purpose of the CDM. Parties therefore decide to include afforestation, ~~and~~ reforestation **and the reduction of emissions by sources in the LULUCF sector**, under the CDM. However they also recognize the special concerns, which arise from implementing these projects.
- ❖ Parties decide that activities, ~~preventing deforestation~~ **conserving natural forest and preventing** land degradation, ~~will not be eligible as credit generating projects under the CDM. However, these activities will~~ **may** be labeled as priority projects to be funded under the adaptation fund in order to address drought, desertification and watershed protection, forest conservation, restoration of native forest ecosystems, restoration of salinised soils.
- ❖ Parties recognize that accounting modalities and definitions for Article 3.3 may need to be modified, and that the issues of non-permanence, social and environmental effects, leakage, additionality and uncertainty should be properly addressed. LULUCF projects would also need to be in conformity with the objectives of other multilateral environmental agreements.
- ❖ Parties therefore decide to establish a process ~~under the~~ **until SBSTA 15** to develop rules and modalities taking into account further methodological work by IPCC, where necessary, to deal with these issues.

### ***Box D. Policies and Measures, Compliance, Accounting, Reporting and Review***

#### **Policies and measures**

- ❖ Parties decide to continue exchange of information on Policies and Measures.
- ❖ Parties decide to invite submissions by Annex I Parties on the meaning of demonstrable progress and the need for guidelines for reporting on this progress (Article 3.2 of the Kyoto Protocol) for SBSTA 14, with a view to have a further consideration at CoP-7.

#### **Compliance: consequences of non-compliance with Article 3.1**

**[Observation: In our view, there is a need of strong financial penalties, in addition to subtractions of assigned amounts. Experience indicates that only this type of control can make systems like the Kyoto Protocol enforceable]**

- ❖ Parties decide that consequences for non-compliance with Article 3.1 should be agreed in

- advance and should not be subject to the discretion of the enforcement branch.
- ❖ Parties recognize that subtraction of excess emissions from a party's assigned amount for the subsequent commitment period against a penalty rate guarantees environmental integrity, provided that the adoption and the entry into force of the emission commitments for subsequent commitment periods are timely.
  - ❖ Parties note that penalty rates will be an essential element of the compliance system. Although they will partly serve as an interest rate for the delays in the achievement of emission commitments, they should also be an incentive to comply and they should, therefore, be set at a relatively high level.
  - ❖ Parties decide that emission commitments for the second commitment period should be adopted before the beginning of the first commitment period.
  - ❖ Parties decide that, if a Party has been determined as being in non compliance with its commitments under Article 3.1, the enforcement branch should apply the following consequences:
    - Subtraction of excess emissions from the assigned amount of the subsequent commitment period.
    - Penalty rate should be set at 1.5 and be increased by 0.25 after the subsequent commitment period if the Party concerned is not in compliance at the end of the subsequent commitment period.
    - Parties concerned shall after determination of non compliance, develop and submit to the enforcement branch for its approval a compliance action plan setting out how they propose to meet their commitments in the subsequent commitment period.

#### **Compliance: differentiation between Parties (in particular Annex I and non-Annex I)**

- ❖ Parties decide that the mandate of the enforcement branch will be limited to obligations that are incumbent on Annex I Parties.
- ❖ There will be no eligibility requirements for non-Annex I Parties in respect of their participation in the CDM, recognizing that only Parties can participate in the CDM that have ratified the Kyoto Protocol and meet commitments under Article 12 of the Convention taking into account the availability of financial resources.
- ❖ There will be no differentiation between Annex I Parties and non-Annex I Parties in respect of the application of consequences by the facilitative branch.

#### **Compliance: relationship between the COP/MOP and the Compliance Committee**

- ❖ Parties decide that the role of the COP/MOP should be limited to giving general policy guidance to the Compliance Committee and that it should not intervene in individual cases.
- ❖ Parties decide that there is no need for an appeals procedure.

#### **Mandates enforcement branch and facilitative branch**

- ❖ Parties decide that the mandate of the enforcement branch covers quantitative emission commitments, eligibility requirements under Articles 6, 12 (only Annex I Parties) and 17.
- ❖ All other cases of non-compliance fall within the mandate of the facilitative branch, including Articles 2.3, 3.14, 5.1, 7.1, 7.2, 10 and 11, taking into account the character of commitments for Annex I and Non Annex I Parties.
- ❖ The facilitative branch shall be responsible for providing advice, facilitation to parties in implementing the Kyoto Protocol and promoting compliance of Parties with their commitments under the Protocol.

#### **Compliance: composition of the Compliance Committee**

- ❖ Parties decide to establish a Compliance Committee, which shall function through two branches

namely a facilitative branch and an enforcement branch.

*Facilitative branch*

- ❖ Parties decide that the balance in the facilitative branch will be in accordance with current UNFCCC practices (equitable geographical representation of the five UN regional groups, taking into account interest groups as reflected by the current practice in the UNFCCC Bureau).
- ❖ Equal numbers of members from each of the five UN regional groups, plus one representative from the group of small island developing States.
- ❖ The facilitative branch shall consist of 11 members.
- ❖ Facilitative branch members shall make every effort to reach agreement on any proposed decision by consensus. Any decision shall, as a last resort, be adopted by a three-fourths majority vote of the members present and voting at the meeting.

*Enforcement branch*

- ❖ Parties decide that the balance in the enforcement branch will be in accordance with current UNFCCC practices (equitable geographical representation of the five UN regional groupings, taking into account the interest groups as reflected by the current practice in the UNFCCC Bureau).
- ❖ Equal numbers of members from each of the five UN regional groups, plus one representative from the group of small island developing States.
- ❖ The enforcement branch shall consist of 11 members.
- ❖ Enforcement branch members shall make every effort to reach agreement on any proposed decision by consensus. Any decision shall as a last resort be adopted by a:
  - Three-fourths majority vote of the members present and voting at the meeting
  - Double majority (majority as a whole and in annex I and non annex I).

**Compliance: Legal basis, the form of adoption of the final result on compliance**

- ❖ Parties decide that the adoption of the compliance system, including binding consequences, should be legally based on:
  - An agreement supplementing the Kyoto Protocol prior to its entry into force

## SUBMISSION NO. 6: BRAZIL

25 January 2001

“Comments by the Government of Brazil on the Note prepared by the President of COP-6.

In response to the invitation made by the Conference of the Parties in Decision 1/CP.6 – Implementation of the Buenos Aires Plan of Action – the Brazilian Government presents its views on the points raised in the informal Note by the President of COP-6, dated 23 November 2000.

Brazil welcomes the efforts made by the President of COP-6 to reach a consensus during the session held in The Hague, last November, and appreciates the substantive input contained in the informal Note. However, as a preliminary comment, the Brazilian Government understands that the document by the President does not replace the official negotiating documents which still constitute the basis for discussions among delegations. The role of the Note should be to map the path for an agreement on most of the controversial issues and consequently overcome the impasses reflected in the official negotiating documents.

In this vein, the Brazilian Government has prepared some general comments on the issues concerning mechanisms, LULUCF and compliance. In some instances, specific comments have been made to highlight formulations that in our view could be valuable for building up consensus among delegations. In others, concrete language proposals have been made to provide alternatives that would make the text acceptable to us. Texts or proposals in the Note that have not been specifically mentioned can be considered in a positive light.

The Brazilian Government also intends to make, in the coming days, some comments on Title I of the Note – "Capacity-building, development and transfer of technologies; implementation of articles 4.8 and 4.9 of the Convention (decision 3/CP.3 and articles 2.3 and 3.14 of the Kyoto Protocol), matters relating to article 3.14 of the Kyoto Protocol; and Finance."

### Mechanisms

Brazil strongly supports the proposal on paragraphs 22 and 23 that the composition of the Executive Board be on the basis of equitable geographical representation of the five UN regional groupings taking into account the interest groups as reflected in the practice of the UNFCCC Bureau. Brazil can be flexible on the number of members, although we consider that the composition of the Executive Board should contribute to the efficiency of its work. We noted that a reference to the composition of the Executive Board along these lines is missing in the current negotiating texts originated in mechanisms group. We also believe that a strong relationship should be established between the Executive Board and the COP/MOP.

Steps should be taken to ensure a prompt start for the CDM. As far as the eligibility of project activities under the CDM is concerned, Brazil supports the notion that it is up to the Party's discretion to judge whether a project activity is in line with its national strategy on sustainable development. We also believe that giving priority in the CDM to renewable energy and energy efficiency improvements as proposed in paragraph 32 is the most reasonable way to start and gain experience with the operation of the CDM.

On the issue of fungibility, Brazil proposes that paragraph 41 be redrafted and a new paragraph 41bis should be added along the following lines:

“41. Parties note that emission reduction units (under Article 6) and parts of an assigned amount (under Article 17) could be added to, or subtracted from, the assigned amount of an Annex I Party and

could be used for the purpose of contributing to compliance with the quantified emission limitation and reduction commitments in Article 3 without altering that Party's assigned amount pursuant to its commitments inscribed in Annex B.

41bis. Parties agree that certified emissions reduction units (under Article 12) could be added to the assigned amount of a Party and could be used for the purpose of contributing to compliance with the quantified emission limitation and reduction commitments in Article 3 without altering that Party's assigned amount pursuant to its commitments inscribed in Annex B."

On the promotion of geographic distribution of CDM projects, Brazil considers that paragraph 43 should be modified and be drafted as follows:

"43. Parties agree that there should be opportunities for all Parties to participate in the CDM, and decide that an equitable distribution of CDM projects will be fostered, especially for LDCs. Therefore, the Executive Board is asked to elaborate, and make recommendations on, preferential treatment of small- scale projects and renewable energy projects in LDCs, by means of the establishment of baselines that take into account the reasonably presumed growth of emissions consistent with their development."

#### Land-Use, Land-Use Change and Forestry

Brazil considers that the principles on LULUCF tabled by the Group of 77 and China should be reflected in the President's paper. They must thus be spelled out in full, as was done in other cases, for instance in the treatment of fungibility.

Before entering into the issue dealt with in paragraph 46 a new paragraph should be added. A new subheading "Principles on Land-Use, Land-Use Change and Forestry" should be added, as A. Therefore the other subheadings and paragraphs would be renumbered. The structure and content of this new subsection of the document would be as follows:

### "III. LAND-USE, LAND-USE CHANGE AND FORESTRY

#### A. Principles on Land-use, Land-use Change and Forestry.

45bis. Parties decide that the following principles regarding the consideration of the Land-use, Land-use Change and Forestry Sector for the purposes of demonstration of compliance by Annex I Parties to their commitments under Article 3 of the Kyoto Protocol shall apply:

Parties decide that any land-use, land-use change and forestry activity carried out in addition to the commitments made under Article 4.1 (d) of the Convention, and taken into account for the purposes of determining compliance of Annex I Parties with their quantitative emission limitation and reduction objectives under the Kyoto Protocol:

- a) shall not change the global effect of the Kyoto Protocol, which is, according to Article 3.1 of the Kyoto Protocol, to mitigate climate change in the first commitment period in a manner equivalent to reducing Annex I anthropogenic emission by sources covered by Annex A to the Protocol by an aggregate proportion of at least 5 per cent with reference to their 1990 levels;
- b) shall not imply the transfer of such commitments to a future commitment period;
- c) shall not exempt the Annex I Party from the responsibility for any subsequent emission resulting from the release of carbon whose uptake was accounted for;
- d) shall not include consideration of the simple presence of carbon stocks.

Regarding the accounting under article 3.4, Brazil proposes that the current formulation of paragraphs 50 and 51 be replaced with the following:

“50. Parties recognize that the consideration by Annex I Parties of anthropogenic land-use, land-use change and forestry activities for the purpose of determining compliance with their commitments under Article 3 of the Kyoto Protocol are the object of severe measurement uncertainties, are difficult to separate from non directly human induced effects, and have the potential to lead to major modifications in the effort of Parties to meet their commitments.

51. Therefore Parties decide that the contribution of additional activities under Article 3.4, towards meeting a Party’s target in the first commitment period are subject to the conditions in paragraph 45bis above and to those in the following paragraphs, and shall be limited to 1 per cent of that Party’s base year emissions.”

Paragraph 52 should be deleted together with the subtitle that follows and paragraph 53. Paragraph 54 should be redrafted along the following lines:

“54. Therefore, Parties decide that Annex I Parties may account for carbon stock changes and resulting net greenhouse gas emissions in areas under forest management only if they propose, and the Conference of the Parties agrees to, methodology for the exclusion of the effects of (a) indirect nitrogen deposition; (b) elevated carbon dioxide concentrations above their pre-industrial levels; (c) other indirect effects; and (d) the dynamic effects of age structure resulting from management activities started before 1990.”

Paragraph 55 should be deleted, together with the preceding sub-title. Paragraph 56 should be reformulated as suggested and a new paragraph 56bis should be added, as proposed:

“56. Parties decide that Annex I Parties shall apply a reduction of 30 per cent to the net carbon stock changes and resulting net greenhouse gas emission reduction from cropland and grazing land management activities additional to those occurring before 1990.

56bis. Parties decide that Annex I Parties shall apply a reduction of 85 per cent to the net carbon stock changes and resulting net greenhouse gas emission reduction from forest land management activities additional to those occurring before 1990.”

Concerning the subheading Land-use, land-use change and forestry under the Clean Development Mechanism, we strongly support the formulation in paragraph 62 that “preventing deforestation and land degradation will not be eligible as credit generating projects under the CDM”. Such a formulation would ensure against a breach of the environmental integrity of the Kyoto Protocol. The lack of such formulation would be in fact a license to emit for the Annex I countries in view of the carbon stocks existing in the native forests located in the non Annex I countries.

We also favor the introduction of a new paragraph 62bis, as follows:

“62bis. Parties decide that the accounting of afforestation and reforestation activities under the Clean Development Mechanism shall result in the issuing of temporary emission reduction certificates, so that at the end of each commitment period, the Annex I Party making use of such certificates for purposes of demonstrating compliance with their commitments under Article 3 shall be released from any responsibility to maintain the additional carbon stock.”

## Compliance

The note prepared by the President of COP-6 has some useful suggestions that could pave the way for a consensus on procedures and mechanisms on compliance that are under negotiation. Since the Note



prepared by the President addresses only a number of the controversial problems identified during the negotiations and is not drafted in legal language, it can only be used as an input to the negotiations. On the other hand, document FCCC/2000/CRP.15/Rev.2 is much more complete than the document proposed by the President and, therefore, should constitute the basis for the negotiations.

As far as the consequences of non compliance with article 3.1 are concerned, the document supports the idea of subtraction of excess emissions from a Party's assigned amount for the second commitment period against a penalty rate. However, the acceptance of such a consequence is directly linked with to the acceptance of making a financial contribution to a compliance fund to be established. The amount of the penalty rate should be sufficiently high to act as a deterrent to non compliance.

On the issue of differentiation of Parties, Brazil considers that the application of consequences by the facilitative branch cannot ignore the difference that exists between Annex I and non Annex I countries as far as their commitments under the Protocol are concerned. Therefore, the proposal of non differentiation stated in the President's note is unacceptable.

Concerning the relationship between the COP/MOP and the Compliance Committee, Brazil considers that the Committee shall report to the COP/MOP on its activities. The COP/MOP shall review and adopt the reports and provide overall policy guidance to the compliance Committee as well. The COP/MOP should also perform the task of an appellate body in case the possibility of appeal is accepted.

Brazil is very concerned with the lack of reference to the establishment of a small panel of the COP/MOP to consider the reports of the Expert Review Teams before they can be used by the Compliance Committee to trigger a case of non compliance by a Party. This is a proposal of the Group of 77 that is in line with the provisions of article 8(3) of the Protocol and will provide the necessary assessment of the findings of the ERTs reports. This procedure should not hamper the consideration by the Compliance Committee of the questions of non compliance indicated in the reports. We feel strongly that the questions of non compliance raised in the reports prepared by the experts who act on their personal capacity should not go directly to another group of experts who should also act independently without some assessment by the COP/MOP or by a panel established by it, as proposed by the G-77.

Concerning the structure and composition of the Committee, Brazil supports that it should have a plenary, two branches (a facilitative and an enforcement one) and a small bureau. We fully support the additions proposed by the Group of 77 and China in the comments presented to the Note by the President on November 24, 2000 during COP-6.

Brazil strongly believes that the composition of the both two branches should be on the basis of equitable geographical representation, based on the basis of the five UN regional groups and taking into account the practice of the UNFCCC Bureau of the UNFCCC. We can accept the idea put forward by the President to combine the issue of (the) composition with the definition of majorities in both branches when no consensus is reached on a decision about a particular case. However, the proposal of having a double majority for decisions in the Enforcement Branch is not acceptable, since it would simply make it almost impossible to reach a decision and in practice would institute a veto right to Annex I Parties.

On the mode of adoption, Brazil believes that the Note by the President does not take into account the nature of the consequences agreed upon by Parties and the options for adoption of the procedure and mechanisms on compliance. The comments made by the G-77 and China on this topic make a specific remark on this linkage that needs to be taken into account when a final decision on compliance should be taken by the COP."

19 February 2001

“Additional Comments by the Government of Brazil on the Note prepared by the President of COP-6

In response to the invitation made by the Conference of the Parties in Decision 1/CP.6 – Implementation of the Buenos Aires Plan of Action – the Brazilian Government presents its views on the points raised in the informal Note by the President of COP-6, dated 23 November 2000, regarding Box A – developing countries’ issues.

Brazil welcomes the efforts made by the President of COP-6 to reach a consensus during the session held in The Hague last November. However, the Brazilian Government understands that the President’s document does not replace the official negotiating documents (FCCC/CP/2000/CRP.7 on development and transfer of technology; FCCC/CP/2000/CRP.5 on the implementation of articles 4.8 and 4.9 of the Convention and article 3.14 of the Protocol; and FCCC/CP/2000/CRP.16.Rev.1 on finance) which still constitute the basis for discussions among delegations.

Development and Transfer of Technology (article 4.5 of the Convention):

Brazil attributes great importance to the issue of environmentally sound technology. The transfer of, and access to, technology and know-how is a fundamental step towards the promotion of sustainable development in developing countries on a permanent basis. Moreover, the implementation of the commitments of developed country Parties and other Parties included in Annex II, according to article 4.5 of the Convention, is an essential condition for the effective implementation of the commitments of developing country Parties under the Convention – as stated in article 4.7 of the Convention.

The negotiating text (FCCC/CP/2000/CRP.7), adopted on November 25, 2000, encompasses the various positions of the Parties on this issue, including a framework containing main issues of the interest of developing countries, such as the creation of a fund for technology transfer and the establishment of an intergovernmental panel of experts on technology transfer. This framework shall be considered as the main path towards the effective implementation of article 4.5 of the Convention. In this sense, Brazil proposes a new paragraph, to be placed in the beginning of the text, reading: “Parties decide to adopt the framework contained in Document FCCC/CP/2000/CRP.7, as the basis for the implementation of article 4.5 of the Convention”.

Brazil fully supports the establishment of an intergovernmental consultative group of technical and scientific experts on technology transfer under the SBSTA, as proposed in the Note of President Pronk. It is a long over due demand of the Group of 77 and China, which will help developing and least developed countries in the assessment of technologies and technology needs under the Convention.

Brazil understands that the composition of this intergovernmental group is to be based on equitable geographical representation, according to the UN rules. Brazil proposes, then, that the last bullet (of the President’s Note on the section about technology transfer) after “The group will” reads: “Be composed on the basis of equitable geographical representation, reflecting the five UN regional groups, taking into account the interest groups as reflected in the practice of the UNFCCC Bureau”.

Brazil welcomes the proposal made by the President on the creation of a clearing house and regional technology information centers. Brazil suggests, additionally, that national technology information centers also be created, since they represent important tools for the assessment of technology needs and dissemination of environmentally sound technology in the national domain. Thus, the first bullet after “The group will” shall read: “Facilitate the exchange and review of information by creating a clearing house and national and regional technology information centers”.

Regarding finance for technology transfer, Brazil supports the need to increase the provision of financial resources in order to promote the transfer and development of environmentally sound technology. In this sense, Brazil stresses the need to assure the provision of new and additional financial resources by Annex I and Annex II Parties. Thus, Brazil proposes the insertion of a new bullet that reads: “Annex I and Annex II parties shall increase the provision of new and additional financial resources – according to article 4.3 of the Convention – in order to fulfill their commitments under article 4.5 of the Convention. Innovative mechanisms, such as a fund for technology transfer, shall be examined in the context of negotiations”.

Articles 4.8 and 4.9 of the Convention and article 3.14 of the Protocol:

Brazil attributes great importance to negotiations on adaptation measures. This area puts in evidence the urgent needs of developing countries regarding the building of capacity to adapt to climate change.

First of all, Brazil welcomes the effort made by President Pronk in trying to address possible paths towards a consensus. Nevertheless, Brazil believes that the negotiating text – FCCC/CP/2000/CRP.5, adopted on November 25, 2000 – should remain the basis for negotiation.

The President’s Note failed to provide a way out regarding the main controversies between G77/China and Annex I Parties. Among these, the issue of whether one or two decisions should be adopted. Brazil believes that obligations under the Convention and under the Protocol should be treated separately, in different decisions, since they refer to different international acts. Thus, Brazil suggests the inclusion of a new paragraph, in the beginning of the text, reading “Actions under the Convention (articles 4.8 and 4.9) and the Protocol (article 3.14) shall be addressed separately in two different decisions”.

A degree of flexibility in the information to be provided to the Secretariat is crucial for developing countries. Negotiations to obtain financial resources from the GEF for the elaboration of national communications and inventories are hard and usually take a long time. Developing countries lack the necessary financial resources, as well as specialised personnel, to develop these tasks using their own means. On the other hand, actions for adaptation shall be taken now. In this sense, Brazil welcomes the President Pronk’s suggestion to permit the provision of information by non Annex I countries through “other relevant sources”. Nevertheless, Brazil believes that developing countries must have the right to provide information through any other relevant channels even prior to the national communications. Brazil proposes the insertion of the words “and/or” before “other relevant sources” on the third line of the first bullet of the text on “adverse effects of climate change”.

Brazil rejects the inclusion of the concept of “avoidance of deforestation” in the text on adverse effects. Activities discussed in the context of the negotiating group on 4.8, 4.9 and 3.14, whose text shall remain the basis for negotiations, do not include avoidance of deforestation. Moreover, activities on forestry are dealt with by the groups on mechanisms and LULUCF and shall not be mentioned in the section on adverse effects without a proper qualification. In discussions on the adverse effects, avoidance of deforestation can only be mentioned in the context of the use of part of the resources provided by the CDM adaptation fund to finance projects of forest conservation in developing countries, bearing in mind that these projects are not eligible to provide credits under the CDM. Brazil proposes, then, that the words “avoidance of deforestation” be deleted from the fourth bullet of the section on adverse effects.

Financial Mechanism:

The document prepared by the President of COP 6 concerning the “financial mechanisms”, which was presented on 23 November 2000 as an attempt to break the impasse between Annex I Parties and Non-Annex I Parties that could not reach an agreement on document

FCCC/SBI/2000/CRP.16/Rev.1, dated 18 November 2000, cannot solve the impasse, but introduces some new ideas that could be used in ongoing negotiations.

An interesting idea, for instance, is the innovative proposal of the President of COP 6 for the management of the "Adaptation Fund", generated by the share of proceeds of the CDM (Clean Development Mechanism). According to his proposal, the Adaptation Fund would be financially managed by the GEF and according to the guidelines provided (ruled ) by the Executive Board of the CDM, which would function under the guidance of, and be accountable to the COP/MOP.

Another idea proposed by the President of COP 6 relates to the sources of funding under the "Convention Fund". Brazil welcomes the proposal that such a fund be a new window under the GEF. However, there is a need to clearly state that the purpose of the funds to be made available is not to stimulate non Annex I countries to implement mitigation programmes but to create capacities (technical, technological, institutional, and human resources) that enable those countries to design and implement, as appropriate, national programmes containing mitigations measures. Moreover, the fund should not be closed to financing technology transfer and development, technical support and capacity building in other projects that are not oriented towards mitigation. Brazil can accept the idea that Annex II Parties transfer a percentage of their assigned amounts to the Convention Fund so that Annex I Parties can acquire these units, on the basis of Article 17 of the Kyoto Protocol, for the purposes of meeting their commitments under article 3.1. However, Brazil strongly opposes the concept of "initial" assigned amounts, as demonstrated in the discussions of the flexible mechanisms of the Kyoto Protocol. Brazil thus proposes the deletion of the word "initial" of the text.

Regarding the "Resources" proposed in Box A of the Note by the President, it is important to ensure that such resources are provided by Annex II Parties, according to the commitments already establish under the Convention. Brazil thus proposes that the first sentence of the 4th paragraph shall read as follows: "In addition to the Adaptation and the Convention Fund, Annex II Parties agree to increase resources for climate change funding through other channels."

## SUBMISSION NO. 7: CANADA

### **Box A: CAPACITY BUILDING, TECHNOLOGY TRANSFER, IMPLEMENTATION OF ARTICLES 4.8/4.9; 3.14 FINANCE**

SUBMISSION BY AUSTRALIA, CANADA, JAPAN, NORWAY, AND THE UNITED STATES

#### **Funding Mechanisms and guidance to the GEF**

Parties have reached general agreement on the frameworks for technology transfer, capacity building, and other forms of assistance related to mitigation of, and adaptation to, climate change. These frameworks will further the objectives of the Convention, including as reflected in the Buenos Aires Plan of Action. Parties have also reached general agreement that special consideration will be given to the least developed countries and small island States amongst them.

Annex II Parties express their intent to seek, through a variety of means, including augmenting their bilateral programs, a significant increase in funding for international climate change related activities, recalling, *inter alia*, Article 4.3 of the Convention. Annex II Parties have also expressed their support for a successful replenishment of the Global Environment Facility and commitment to ensure that the GEF become more responsive to the needs and priorities of developing countries. Ownership and “country-drivenness” in GEF projects should be enhanced. The scope of activities funded by the GEF should also be broadened. GEF procedures and policies should be streamlined.

#### **Adaptation Fund**

Parties declare their intention to seek the establishment of, and the resources to fund, a new window under the GEF: the Adaptation Fund.

- ❖ The implementation of concrete pilot adaptation projects in developing country Parties will be financed. Projects will be implemented by the GEF Implementing Agencies.
- ❖ The GEF Secretariat will manage the fund. The fund will function under the guidance of the COP/moP. Such guidance will be given on programs, priorities and eligibility criteria for funding of adaptation activities
- ❖ The following activities will be included in the category of adaptation activities: avoidance of deforestation, combating land degradation and desertification.

#### **Specific needs of the least developed countries (LDCs, including SIDS)**

- ❖ Within the Adaptation Fund, a separate work programme will be established for the least developed countries and small island States amongst them, based upon the scope of needs identified in XX.CP6, XX.CP6...
- ❖ To encourage a greater flow of CDM projects to the LDCs, CDM projects in LDCs will be exempt from the share of the proceeds for adaptation. The implementation of ‘small scale CDM projects’ will also be promoted.

#### **Convention fund**

Parties declare their intention to seek the establishment of, and the resources to fund, a new window under the GEF: a Convention Fund.

- ❖ Under this window, new and additional funding will be made available by Annex II Parties for activities in developing countries: technology transfer and technical support, capacity building related to climate change, specific CDM capacity building, , assistance with economic

diversification. New and additional funding will also be made available for capacity building in Annex I Parties with economies in transition.

Funding related to mitigation will be for the purpose of a Party's implementation of national abatement and sequestration strategies, which are to be consistent with criteria to be agreed.

- ❖ The GEF Secretariat will manage the fund. The new GEF window will operate under the policy guidance of the COP/MOP.

#### Funding and Modalities

Contributions from Annex II Parties will reflect their initial assigned amounts. These contributions should be made at rates adjusted to generate \$1 billion over the first commitment period. These may be directed to either the Adaptation or Convention funds or both as Parties deem appropriate, with the modalities to be defined at COP 7. Finance for the Adaptation Fund will be generated by the share of the proceeds on the CDM (2% of the CERs generated by projects), voluntary contributions and by a percentage of assigned amount, or its financial equivalent.

-- There will be periodic reviews of the modalities of the new GEF funds, including with respect to the level of funding and the eligibility requirements.

#### Climate Resources Committee

Parties declare their intent to establish a Climate Resources Committee at COP-7, with the following mandate:

- ❖ To give policy advice to existing multilateral financing channels and institutions such as the GEF, Regional Development banks, the World Bank, UNDP and other multilateral institutions. The advice will be focused on:
  - Maximizing climate change funding
  - Mainstreaming climate-related objectives into existing financial flows

### CANADIAN LINE BY LINE REVISIONS ON

### THE KYOTO MECHANISMS

### BOX B AND OTHER RELATED ITEMS

**FINAL – 9:01 PM FRIDAY NOVEMBER 24, 2000**

#### **Box B. Mechanisms**

#### **Rules and modalities for the mechanisms**

- Rules, modalities and guidelines for the Kyoto Mechanisms will be established at CoP 7.

#### **CoP/moP – Executive Board**

##### A. Composition of the executive board of the CDM

- Parties agree that the composition of the Executive Board is an essential element in ensuring integrity, credibility and efficient operationalization of the system. Parties therefore decide on a balanced approach in composition and voting procedures.
- ~~The balance in the Executive Board will be in accordance with current UNFCCC practices~~

~~(equitable geographic distribution of the five regional groupings, taking into account the interest groups as reflected by the current practice in the five UNFCCC Bureau).~~

- ~~Equal numbers of members from each of the five UN regional Groups, plus one representative from the group of Small Island developing States (16 members). (Note: We are open to discussing some compromise between the UN regional groupings and Annex 1, non-Annex 1 configurations.)~~
- ~~Executive Board members shall make every effort to reach agreement on any proposed decision by consensus. Any decision shall as a last resort be adopted by a three-fourths majority of ~~the~~ all members present and voting at the meeting, and double majority ( i.e., majority as a whole and in annex1 and non annex1 parties).~~

~~□.~~

#### *B. Decision making power of the executive board*

- The Executive Board shall be subject to the authority and guidance of, and be accountable to, the Cop/moP.

#### *C. Institutions for a prompt start for the CDM*

- ~~Parties decide that a prompt start for the CDM will be operationalized by electing the executive board at the next session of the subsidiary bodies .~~ Parties support the principle of a prompt start for the CDM. However, none of the Kyoto Mechanisms will be operationalized until CoP 7, when the rules and guidelines and modalities for all three mechanisms will be fully elaborated and concluded.
- The Executive Board will be served by the UNFCCC secretariat.
- Appropriate resources ~~should~~will be made available for the prompt start of the CDM.

#### **Eligibility of project activities**

- Parties recognize that it is up to the Parties discretion to judge whether a project activity is in line with its national strategy on sustainable development.
- Annex1 Parties will ~~not use~~ declare that they will refrain from using nuclear facilities for generating certified emissions reductions under the CDM, unless the highest safety standards have been satisfied, both in host and investing party.
- ~~Parties decide that because of their contribution to the ultimate objective of the Convention and sustainable development in order to address ,equitable geographic distribution of projects and reduce transaction costs, small projects the following activities should be given priority and will have expedited consideration within the rules, modalities and procedures of the CDM.:~~
  - ~~renewable energy (inter alia small scale hydro)~~
  - ~~energy efficiency investments~~
- Under the guidance of CoP/moP, the Executive Board shall ~~further develop rules and modalities for the operationalization of this decision~~ develop further guidance for expeditious implementation of such projects.

#### **Supplementarity**

- Annex 1 Parties ~~shall~~ will aim to meet their emission commitments primarily through domestic action since 1990. This applies to the Annex B commitments of each Party under Article 4. Compliance with this principle will be assessed by the facilitative branch of the compliance committee on the basis of qualitative and quantified information, reported in national communications and reviewed under Article 8. The facilitative branch shall advise on how to ensure the effective implementation of this provision. A first assessment should be reported in the fourth national communications of Annex I Parties due in 2005. Annex 1 Parties will include in their national communications descriptions of national policies and

measures that are intended to demonstrate how Annex 1 Parties are meeting this commitment. Such information will be reviewed under Article 8.

### **Trading modalities and liability**

- Parties agree that Article 17 provides opportunities for Parties to fulfill their commitments in a cost-effective way. Parties also recognize that reporting, review and a strong enforceable compliance regime ~~are~~ may not be sufficient to prevent Parties from overselling, thereby potentially endangering the environmental integrity of the system.
- Parties therefore decide that in the first period, each Annex B Party's shall not make a transfer that would reduce the total holdings of retain a portion of their assigned amounts from the first commitment period in that Party's their national registries (excluding cancellations) specific to that commitment period. This portion shall be 70 below an amount equal to 70 percent of (a) its initial their assigned amounts or (b) five times its most recently reviewed emissions inventory, whichever is lower the portion determined on the basis of projected or recent emissions.
- ~~After the annual review of each Party's emissions data, the portion of assigned amount that must be retained shall be recalculated and, if necessary, adjusted. {Or, if retained, fix as a fallback as follows: After the annual review of each Party's emissions data, the figure in subparagraph (b) above shall be recalculated and, if necessary, adjusted.}~~
- Parties decide that Party will be eligible to trade, after 14 month waiting period after having submitted their required reports on national inventories and registries, unless the Compliance Committee finds that the Party has not met those requirements. Parties decide that there shall be no other restrictions on trading other than eligibility relating to reporting on national inventories and national registries.

### **Fungibility**

- Parties should protect the climate system for the benefit of present and future generations of human kind, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities. Accordingly, the developed country Parties should take the lead in combating climate change and adverse effect thereof. Parties affirm that in their actions to achieve the purpose of the mechanisms, Parties shall be guided by Article 2 of the Convention and the principles contained in Article 3 of the Convention.
- Parties note that per capita emissions in developing countries are still relatively low and the share of global emissions originating in developing countries will grow to meet their social and development needs.
- Parties recognize that the Kyoto Protocol has not created or bestowed – on Parties included in Annex I of the Convention and in Annex B of the Protocol – any rights or entitlement to emissions of any kind in the pursuance of Articles 3, 6, 12, 17 of the Kyoto Protocol which affects the consideration or decision-making on subsequent commitments. Parties recognize that the consideration of such commitments should be based on equitable criteria, common but differentiated responsibilities and respective capabilities.
- Parties note that emission reduction units (under “joint implementation” and ~~any parts of an~~ assigned amount units (under emissions trading) ~~could~~ be added to, or subtracted from, the assigned amount of a Party. Parties agree that certifies emissions reduction units (CDM), emission reduction units (JI), and assigned amount units (ET) can be used towards meeting the Party's current commitments or for further transfers. ~~could be added to the assigned amount of a Party and could be used for the purpose of contributing to compliance with quantified emission limitation and reduction commitments in Article 3 without altering that Party's assigned amount pursuant to its commitments inscribed in Annex B.~~
- ~~Parties decide that emission reduction units and parts of assigned amount may be exchanged according to the rules and procedures to be established under the CoP/moP.~~

### **Promotion of geographic distribution of CDM projects**



- Parties agree that there should be opportunities for all Parties to participate in the CDM and decide that an equitable distribution of CDM projects will ~~should~~ be fostered. ~~Therefore standardized baselines, which are based on an appropriate Annex I average may be used for small scale projects (<XMw) and renewable energy projects )<XMw).~~ The Executive Board is asked to elaborate further guidance on such projects ~~on and make recommendations on preferential treatment of these specific project types.~~
- Parties decide to foster LDC participation in the CDM by:
  - Special attention will be paid to institutional capacity building for LDCs;
  - CDM projects in LDCs will be exempt from the share of proceeds for adaptation;
  - Public funding for the acquisition of CERs from CDM projects should be additional to current ODA.

#### Procedures for “joint implementation”

- Parties note that “joint implementation” takes place among Annex I Parties with greenhouse gas emission limitation and reduction commitments. Therefore, Parties decide that there is no need for stringent procedures on verification if Parties meet their reporting requirements. Parties note that if Parties do not meet these requirements, they should follow ~~the same~~ rigorous procedure similar to those as provided for under the CDM procedures.

#### LULUCF under the Clean Development Mechanism

- Parties agree that LULUCF activities can contribute to the two-fold purpose of the CDM. Parties therefore decide to include projects including afforestation, and reforestation, soil management, prevention of land degradation, and prevention of deforestation under the CDM. ~~However~~ ~~They~~ ~~also~~ recognize that the special concerns, that which arise from implementing these projects, such as the issue of non-permanence, can be effectively reduced using risk management, creation of temporary certified emission reduction units or other approaches.
- In addition, projects involving prevention of ~~Parties decide that activities, preventing deforestation and prevention of land degradation, will not be eligible as credit generating projects under the CDM. However, these activities will be labelled as priority projects to be funded under the adaptation fund in order to address drought, desertification and watershed protection, forest conservation, restoration of native forest ecosystems, and restoration of salinised soils.~~
- Parties recognize that accounting modalities and definitions for Article 3.3 and 3.4 may not be appropriate for application in the CDM, and further work on these issues may be desirable. Parties ~~decide need to be modified, and that the issues of non-permanence, strong social and environmental safeguard effects, leakage, baselines and additionality and uncertainty should be properly addressed in project methodologies on a priority based.~~ LULUCF projects ~~would also need to~~ should be in conformity with the sustainable development goals of the host country and as appropriate the objectives of other multilateral environmental agreements.
- Parties therefore decide to establish a process under the SBSTA to develop rules and modalities ~~taking into account further methodological work by the IPCC, where necessary, to deal with these issues with a view to a decision at CoP7.~~

*Proposal of Australia, Canada, Japan and the United States*

#### **Box B (bis)**

#### Issues Related to Article 4

- There must be parity of treatment among all Annex I Parties, including those under an Article 4 arrangement

- In terms of compliance, environmental integrity dictates that any restrictions on transfers of assigned amount must include transfers under an Article 4 agreement.
- Surplus assigned amount may not be banked by Article 4 Parties when any members of the arrangement needs such assigned amount to meet its Article 3.1 commitment. Pursuant to Article 4.6 of the Protocol, any consequences for non-compliance with Article 3.1 apply to both the regional economic integration organization and any individual member state in non-compliance.
- In terms of mechanisms, 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 apply equally to Article 4.
- Any recommendations regarding domestic action apply to each individual member of an Article 4 agreement.
- In order to assess compliance with Protocol commitments, reporting requirements must apply to Article 4 Parties both collectively and as individual Parties.

**Proposal by Canada, Japan, and United States for LULUCF  
8:10 pm**

**Box C. Land-use, Land-use change and forestry**

**Definitions for Articles 3.3 and 3.4**

- Parties agree that for the implementation of Article 3.3, ‘forest’ is defined in accordance with the FAO definition, in line with FCCC/SBSTA/2000/12 paragraphs 1a and 2. Parties recognize that there should be certain flexibility in applying the FAO values in order to reflect national circumstances.
- Parties decide to establish a process to investigate the feasibility and implications of applying biome-specific forest definitions for future commitment periods.
- Parties decide that for defining direct human-induced afforestation, reforestation and deforestation the set of IPCC definitions shall be applied. Parties decide that afforestation and reforestation may be conducted through planting, seeding, and the utilization of natural seed sources.

**Additional activities and accounting under Article 3.4**

Eligible activities

- Parties decide that Parties may include the following activities in the first commitment period: grazing land management, cropland management, forest management, and revegetation.
- Parties decide that the activities a Party chooses to include shall be elected prior to the commitment period.
- To ensure permanence, a Party’s elected activities shall then be included in subsequent periods.

Accounting for agricultural land management and revegetation

- Given the lack of evidence that indirect human effects have a measurable effect on carbon stock changes and net greenhouse gas emissions from grazing land management, cropland management, and revegetation, Parties decide that these effects will not be factored out and that no discount will be applied to those activities.

## Accounting for forest management

- Parties note that the carbon stock change and net GHG emissions associated with forest management may include natural climate variations, and other natural variations, of timescales longer than the commitment period. Parties decide that further scientific inquiry on this issue is necessary.
- Parties decide that accounting for forest management (exclusive of afforestation, reforestation, and deforestation under Article 3.3) for the first commitment period shall take place in three intervals.

### *First interval (full crediting up to level of Article 3.3 debit)*

- Parties recognize the unintended outcome of Article 3.3, namely that those countries which have an overall increase in their managed forest carbon stock may nevertheless have their assigned amounts reduced because of accounting and definitional conventions under Article 3.3. Therefore Parties decide that Parties may fully account for carbon stock changes and net GHG emissions in areas under forest management up to a level that is equal to the net debit incurred under provisions of Article 3.3. Parties who choose to do this shall do so under the condition that the carbon stock change between 1990 and the end of the commitment period from forest management compensates the net debit incurred under the provision of Article 3.3. The level shall not be more than 30 Mt CO<sub>2</sub> for each year of the commitment period.

### *Second interval (for forest management carbon stock changes and net GHG emissions between the first and thirds intervals - a discount to factor out non-direct human induced effects, and a limit to address scale and the dynamic effects of age structure)*

- Parties decide that the second interval for forest management shall be adjusted in two ways to address 1) the issue of indirect effects, and 2) scale and the dynamic effects of age structure resulting from management activities before 1990.
- For the first commitment period, Parties shall factor out the following elements from the carbon stock changes and net GHG emissions associated with forest management:
  - indirect nitrogen deposition;
  - elevated CO<sub>2</sub> concentrations; and
  - other indirect human-induced effects.
- For the first commitment period, Parties shall factor out these indirect effects for forest management by choosing one of two options.
  - As a first option, Parties could choose to apply a reduction of 5% to the carbon stock change and net GHG emissions.
  - As a second option, Parties could choose to use scientifically valid approaches to calculate and remove from the accounting these effects.
- For the first commitment period, Parties decide to address the issues of scale and the dynamic effects of age structure resulting from forest management activities before 1990 as follows. Parties agree that the annual contribution of forest management towards meeting a Party's target in the first commitment period shall be limited to 4% of the Party's base year emissions. This limitation applies only to the contribution of forest management within the second interval, after adjusting for indirect human-induced effects.

### *Third interval (full crediting for removals over a threshold in order to provide incentives for action to mitigate climate change)*

- Parties recognize that incentives should be provided to sequester carbon and mitigate climate change.
- Parties decide to establish an approach for determining a threshold and decide that Parties may account for removals over this threshold, subject to a discount of 5% or a scientifically valid adjustment to factor out:
  - Indirect nitrogen deposition,
  - Elevated CO<sub>2</sub> concentrations, and
  - Other indirect human-induced effects.

#### **Additional activities under Article 3.4 in the second and consecutive commitment periods**

- Parties decide that Parties should not receive credit for carbon stock changes and net GHG emissions attributable to indirect human-induced factors. Parties therefore decide to establish a process to review the science and implications of indirect human-induced effects and long term natural variability on carbon stocks and net GHG emissions. Parties decide that the CoP/moP may, prior to the adoption of emission commitments for subsequent commitment periods, review the rules, modalities and guidelines for accounting for agreed activities for the second and subsequent periods.
- Parties recommend that the COP/MOP will, prior to the adoption of emission commitments for the second and subsequent commitment periods, establish the list of agreed additional activities for possible use in the second and subsequent commitment periods, together with the rules, modalities and guidelines for their accounting. This list shall include grazing land management, cropland management, forest management and revegetation.

#### **Implementation of Article 3.7**

- Parties note that, for those Parties for whom land-use change and forestry constituted a net source in 1990, emissions and removals resulting from land-use change should be included in the 1990 emissions base year in accordance with the provisions of Article 3.7.
- Parties decide that eligibility to make use of this provision will be determined on the basis of a reviewed national inventory.

#### **LULUCF under the Clean Development Mechanism**

- Parties agree that LULUCF activities can contribute to the two-fold purpose of the CDM. Parties therefore decide to include projects involving afforestation, reforestation, soil management, prevention of land degradation and prevention of deforestation under the CDM. They recognize that the special concerns that arise from implementing these projects, such as the issue of non-permanence, can be effectively reduced using risk management, creation of temporary certified emission reduction units or other approaches.
- In addition, projects involving prevention of deforestation and prevention of land degradation will be eligible as priority projects to be funded under the adaptation fund in order to address drought, desertification and watershed protection, forest conservation, restoration of native forest ecosystems, and restoration of salinized soils.
- Parties recognize that accounting modalities and definitions for Articles 3.3 and 3.4 may not be appropriate for application in the CDM, and further work on these issues may be desirable. Parties decide that the issues of non-permanence, strong social and environmental safeguards, leakage, baselines and additionality and uncertainty should be properly addressed in project methodologies on a priority basis. LULUCF projects should be in conformity with the sustainable

development goals of the host country and, as appropriate, the objectives of other multilateral environmental agreements.

- Parties therefore decide to establish a process under the SBSTA to develop rules and modalities with a view toward a decision at COP 7.

***Box D. Policies and Measures, Compliance,  
Accounting, Reporting and Review***

**Policies and measures**

- ❖ Parties decide to continue exchange of information on Policies and Measures.
- ❖ Parties decide to invite submissions by Annex I Parties on ~~the meaning of demonstrable~~ progress and the need for guidelines for reporting on this progress (Article 3.2 of the Kyoto Protocol) for SBSTA 14, with a view to have a further consideration at CoP-7.

**Compliance: consequences of non-compliance with Article 3.1**

- ❖ Parties decide that consequences for non-compliance with Article 3.1 should be agreed in advance and should not be subject to the discretion of the enforcement branch.
- ❖ Parties recognize that subtraction of excess emissions from a party's assigned amount for the subsequent commitment period against an ~~incentive-penalty~~ rate guarantees environmental integrity, provided that the adoption and the entry into force of the emission commitments for subsequent commitment periods are timely.
- ❖ Parties note that ~~interest penalty~~ rates will be an essential element of the compliance system. Although they will partly serve as an interest rate for the delays in the achievement of emission commitments, they should also be an incentive to comply and they should, therefore, be set at a ~~relatively high level that discourages delay~~.
- ❖ Parties decide that emission commitments for the second commitment period should be adopted before the beginning of the first commitment period.
- ❖ Parties decide that, if a Party has been determined as being in non compliance with its commitments under Article 3.1, the enforcement branch should apply the following consequences:
  - Subtraction of excess emissions from the assigned amount of the subsequent commitment period.
  - Penalty rate should be set at ~~[1.5]~~ 1.3 (USA) / 1.1 (Japan) / 1.0 (Australia) / progressive rate up to 1.3 (Canada), ~~and be increased by 0.25 after the subsequent commitment period if the Party concerned is not in compliance at the end of the subsequent commitment period.~~
  - Parties concerned shall after determination of non compliance, develop and submit to the enforcement branch ~~for its approval~~ a compliance action plan setting out how they propose to meet their commitments in the subsequent commitment period.

**Compliance: differentiation between Parties (in particular Annex I and non-Annex I)**

- ❖ Parties decide that the mandate of the enforcement branch will be limited to obligations that are incumbent on Annex I Parties.
- ❖ There will be no eligibility requirements for non-Annex I Parties in respect of their participation in the CDM, recognizing that only Parties can participate in the CDM that have ratified the Kyoto Protocol and meet commitments under Article 12 of the Convention taking into account the availability of financial resources.
- ❖ There will be no differentiation between Annex I Parties and non-Annex I Parties in respect of the application of consequences by the facilitative branch.

### **Compliance: relationship between the COP/MOP and the Compliance Committee**

- ❖ Parties decide that the role of the COP/MOP should be limited to giving general policy guidance to the Compliance Committee and that it should not intervene in individual cases.
- ❖ Parties decide that there is no need for an appeals procedure.

### **Mandates enforcement branch and facilitative branch**

- ❖ Parties decide that the mandate of the enforcement branch covers quantitative emission commitments, eligibility requirements under Articles 6, 12 (only Annex I Parties) and 17.
- ❖ All other cases of non-compliance fall within the mandate of the facilitative branch, including Articles 2.3, 3.14, 5.1, 7.1, 7.2, 10 and 11, taking into account the character of commitments for Annex I and Non Annex I Parties.
- ❖ The facilitative branch shall be responsible for providing advice, facilitation to parties in implementing the Kyoto Protocol and promoting compliance of Parties with their commitments under the Protocol.

### **Compliance: composition of the Compliance Committee**

- ❖ Parties decide to establish a Compliance Committee, which shall function through two branches namely a facilitative branch and an enforcement branch.

#### *Facilitative branch*

- ~~Parties decide that the balance in the facilitative branch will be in accordance with current UNFCCC practices (equitable geographical representation of the five UN regional groups, taking into account interest groups as reflected by the current practice in the UNFCCC Bureau).~~
- ❖ ~~Equal numbers of members from each of the five UN regional groups, plus one representative from the group of small island developing States.~~
- ❖ ~~The facilitative branch shall consist of 11 members, the majority nominated by Annex I Parties.~~
- ❖ ~~Facilitative branch members shall make every effort to reach agreement on any proposed decision by consensus. Any decision shall, as a last resort, be adopted by a three-fourths majority vote of the members present and voting at the meeting plus a double majority of Annex I Parties.~~

#### *Enforcement branch*

- ~~Parties decide that the balance in the enforcement branch will be primarily experts nominated by Annex I Parties in accordance with current UNFCCC practices (equitable geographical representation of the five UN regional groupings, taking into account the interest groups as reflected by the current practice in the UNFCCC Bureau).~~
- ~~Equal numbers of members from each of the five UN regional groups, plus one representative from the group of small island developing States.~~
- ❖ ~~The enforcement branch shall consist of 11 5 -members nominated by Annex I Parties.~~
- ❖ ~~Enforcement branch members shall make every effort to reach agreement on any proposed decision by consensus. Any decision shall as a last resort be adopted by a:~~
  - ~~Three-fourths majority vote of the members present and voting at the meeting~~
  - ~~Double majority (majority as a whole and in annex I and non annex I).~~
  -

**Compliance: Legal basis, the form of adoption of the final result on compliance**

- ❖ Parties decide that the adoption of the compliance system, including binding consequences, should be legally based on:
  - An agreement supplementing the Kyoto Protocol prior to its entry into force

(Aus and Japan –delete or adopt by CoP/MoP decision / Canada and US ok)

## SUBMISSION NO. 8: CHILE

OBSERVACIONES A LA NOTA DEL PRESIDENTE DE LA COP6, SR. JAN PRONK.

BLOQUE A (TRANSF. TEC., CREACIÓN DE CAPACIDADES Y ARTS. 4.8/4.9 Y 3.14)

En el conjunto de las propuestas que recoge este Bloque, se reconoce un importante esfuerzo para avanzar en la materialización de los compromisos -la mayoría de ellos aún pendientes- que las Partes Anexo I tienen respecto al resto de las Partes de la Convención sobre los temas de transferencia de tecnología, creación de capacidades y aquellos enunciados en los artículos. 4.8 y 4.9.

No obstante, el actual texto requiere de algunas modificaciones que permitan que refleje con mayor precisión su acuerdo con los compromisos contemplados en la Convención y los objetivos de las nuevas propuestas que contempla. Ellas son las siguientes:

1.- En el segundo punto del Fondo de la Convención, reemplazar "programas nacionales que contienen medidas de mitigación" por "identificación y preparación de proyectos concretos de adaptación (actividades de la etapa II)".

2.- Agregar, al final del tercer punto del Fondo de la Convención, el siguiente párrafo:  
"Las Partes Anexo II acuerdan que la suma total de los recursos para este Fondo provenientes de la reposición de fondos para el GEF y las contribuciones voluntarias de las Partes Anexo II (numerales 1 y 2) deberán alcanzar el nivel promedio de un billón de dólares, sobre una base anual, tan pronto sea posible, pero no más tarde que el año 2005. Si los recursos acumulados hasta el año 2005 fueran menos de 5 billones, las Partes acuerdan aplicar un impuesto sobre los artículos 6 y 17."

3.- Eliminar el párrafo titulado "Recursos".

BLOQUE B (MECANISMOS)

En C. Instituciones para un inicio inmediato del MDL, se propone especificar que en la próxima Conferencia de las Partes (COP7), se elegirá la Junta Ejecutiva de modo de operacionalizar este pronto inicio.

En Elegibilidad de actividades de proyectos bajo el MDL, se propone hacer más tajante el no uso de instalaciones nucleares, con una frase siguiente: " Annex 1 Parties will not use certified emissions reductions (CERs) generated from nuclear facilities".

En Fungibilidad, cuarto y quinto puntos, se proponen los siguientes cambios:

Parties note that emissions reduction units (under "joint implementation ") and any parts of an assigned amount units (under emissions trading) could shall be added to, or subtracted from, the assigned amount of a Party. Parties agree that certified emissions reduction units (CDM), emission reduction units (JI), and assigned amount units (ET) can be used towards meeting the Party's commitments or for further transfers. could be added to the assigned amount of a Party and could be used for the purpose of contributing to compliance with the quantified emission limitation and reduction commitments in Article 3 without altering that Party's assigned amount pursuant to its commitments inscribed in Annex B.

Parties decide that emission reduction units and parts of assigned amount" may be exchanged according to the rules and procedures to be established by the COP/MOP.

BLOQUE C (LULUCF)

Página 9, primer box



### Definiciones ARD del Art.3.3

Primer párrafo: Agregar como tercera oración: "La definición FAO de bosque será la propuesta en el Anexo del documento FCCC/SBSTA/2000/CRP.11", que es la propuesta de los co-presidentes del Grupo de Contacto de LULUCF de SBSTA.

Segundo párrafo: Agregar como segunda oración: El proceso para investigar la factibilidad de aplicar una definición con base en bioma se iniciará en SBSTA 14 y deberá finalizar en COP8 (2002) a mas tardar.

Agregar como cuarto y quinto párrafos los que corresponden al tercer y cuarto párrafo del tercer box de la página 11, agregando la siguiente segunda oración al quinto párrafo: "El proceso para desarrollar reglas y modalidades se iniciará en SBSTA 14 y deberá finalizar en COP8 (2002) a mas tardar."

Página 11, tercer box:  
LULUCF en el Mecanismo de Desarrollo Limpio

Reemplazar el segundo párrafo por lo siguiente: "Las actividades de evitar la deforestación y degradación de suelos serán elegibles en el CDM, considerando que contribuyen directamente a evitar la emisión de gases de efecto invernadero, así como evitar que se produzca un desplazamiento o fuga de cosecha de madera desde el hemisferio norte al hemisferio sur."

Trasladar los párrafos tercero y cuarto siguientes al final del primer box de la página 9, para los efectos de que estas normas sean aplicables en forma general:

Parties recognize that accounting modalities and definitions for Article 3.3 may need to be modified, and that the issues of non-permanen-ce, social and environmental effects, leakage, additionality and uncertainty should be properly addressed. LULUCF projects would also need to be in conformity with the objectives of other multilateral environmental agreements.

Parties therefore decide to establish a process under the SBSTA to develop rules and modalities taking into account further methodological work by IPCC, where necessary, to deal with these issues.

Agregar como nuevo tercer párrafo: "El total de la captura de carbono y de las emisiones de gases de efecto invernadero evitadas por los proyectos de actividades LULUCF en el MDL durante el primer período de compromiso, estarán limitadas a un tope del 3% del total de emisiones de CO2 de las Partes Anexo I en 1990 ó 106 MtC anuales, cualquier cifra que sea la menor."

SUBMISSION NO. 9: COLOMBIA

**Colombian Submission on  
Document: FCCC/CP/2000/CRP.14**

Note by the president of COP 6

The Colombian delegation wants to express its full support to the effort made by President Pronk reflected in the Note by the President of COP6. We believe that document identifies main unresolved issues and carefully balances the positions of the different parties towards them. The document itself will surely ease the process to the early and effective implementation of the Kyoto Protocol while maintaining its environmental integrity.

With the spirit of facilitating the path toward consensus in the resume of COP 6, Colombia has prepared the present submission, which improves some issues in a way that, we believe, will find echo in most parties sitting in the negotiation table.

We have focused our modification proposals on two main areas: Section I part A, (related to funding mechanisms), and Section III part C (related to LULUCF activities under the Clean Development Mechanism).

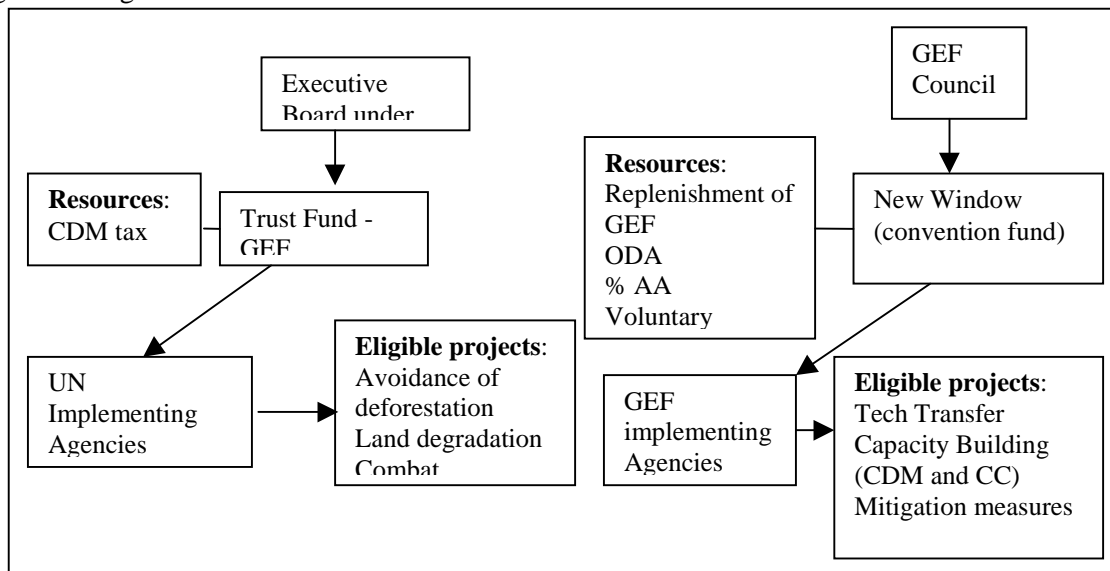
We will first present a brief explanation and clarification of the proposals, and then the specific modifications to the Document FCCC/CP/2000/CRP.14.

**BOX A: Financial Mechanism**

The financial mechanism presented in the Document FCCC/CP/2000/CRP.14 consists of two different type of funds: a Convention Fund directed to finance projects related to technology transfer, capacity building and mitigation measures; and an Adaptation fund as a trust fund under the GEF intended to finance adaptation projects limited to avoidance of deforestation, land degradation and desertification. Each of these funds has different sources of funding and consequently, different amounts of available resources.

The convention fund works as a new window under the GEF, in which projects will have to go through the same cycle as any GEF funded project. In contrast, the adaptation fund works as a trust fund under the GEF in which the CDM Executive Board works as the administrative council and executes the resources through UN implementing agencies. This scheme is shown in figure 1.

Figure 1. Original Scheme



Although the scheme represent an innovative attempt to move forward on the negotiation process regarding the financial mechanism, the following concerns have been raised:

- Some important adaptation projects have been excluded as eligible projects under the adaptation fund. Parties have expressed their concerns toward the exclusion of projects like water resources management, land management, agriculture, health, infrastructure development, ecosystems, and integrated coastal zone management and sea level rise, among others.
- An imbalance in the distribution of the resources has been perceived, as the CDM tax might not be sufficient to fund adaptation related projects. Furthermore, there is the concern that the funding will depend on the ratification of the Kyoto Protocol
- Despite the fact that the documents states that GEF procedures and policies will be streamlined, parties have the concern that the convention fund, administered by the GEF, will still be managed under time-consuming processes and inefficiencies in resource allocation. Also it is generally accepted that competition among implementation agencies, multilateral agencies and regional development banks will stimulate the efficiency of resource allocation.
- Parties are afraid of the lack of fast liquidity of the funds and hence a delay in the implementation of the different projects, especially adaptation fund projects.

Having in mind these concerns, Colombia has designed a modification of the original scheme with the objective of addressing them and achieving a general consensus

The main modification is the unification of the two funds and sources of funding into a single “Convention Fund”. This Convention Fund will function as the former adaptation fund, having the GEF as trustee. The fund will be managed by the Climate Resources Committee, organism that will also be in charge of promoting efficient and equitable distribution of the resource and increasing climate funding. UN implementing agencies, regional development banks and other relevant multilateral agencies will allocate resources for identified projects. With the flexibility of assigning the resources through several implementing agencies, the Climate Change Resource Committee could promote efficiency and effectiveness in resource allocation.

Colombia supports the president’s proposal of the transferal of a percentage of Annex I parties’ initial assigned amount to nourish the Convention Fund. In order to assure the rapid liquidity of this transferal as well as of the resources coming from the CDM tax (which as well correspond to a carbon reduction quantity), Colombia proposes the establishment of a periodical public auctioning, whose periodicity will be established according to the needs of funding.

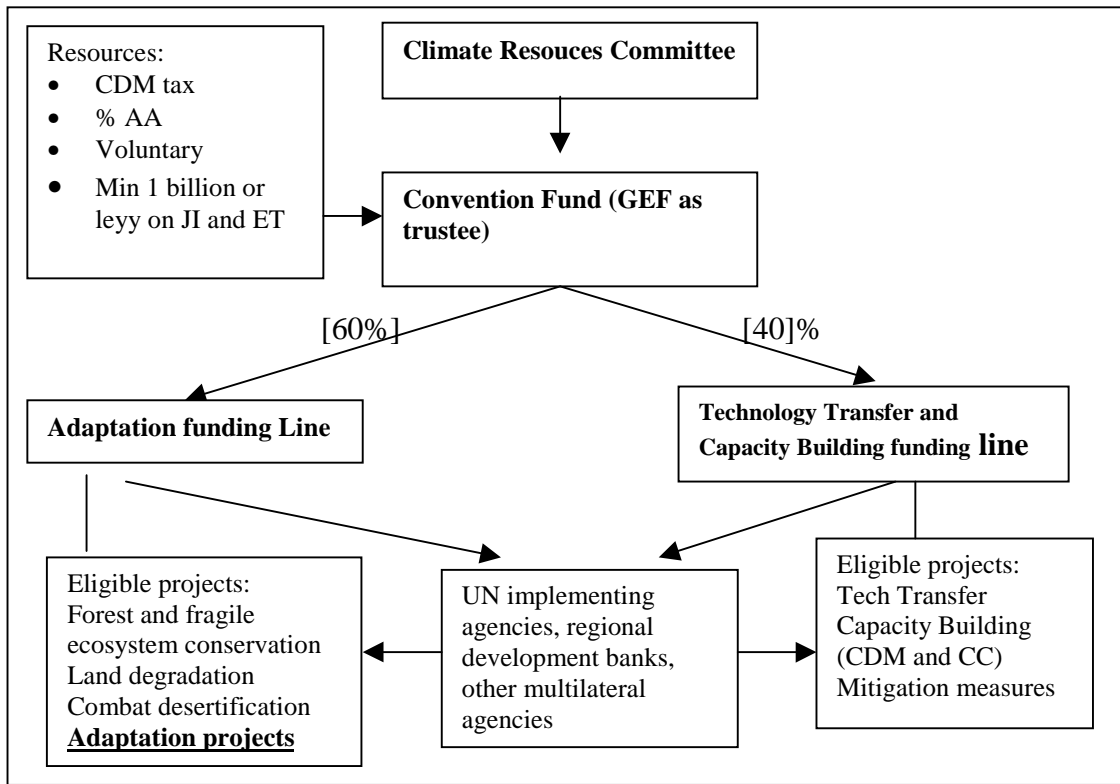
With respect to the percentage of the assigned amount to be transferred to the Convention Fund, Colombia proposes that this percentage shall be equal to the maximum amount that will be allowed to be credited to Annex I parties from article 3.4.

Acknowledging the concerns raised by some parties with respect to the amount of resources directed to financing adaptation projects, the Climate Resources Committee will be responsible for distributing and continuously assuring Climate funding. The distribution of the total amount of resources entering the Convention Fund will be 60% to adaptation projects and 40% to capacity building and technology transfer projects. The initial percentages, which are stated by the present submission, represent an initial idea, and could be subject to further consideration and negotiation by parties.

Recognizing the importance of projects directed to adaptation towards addressing the negative impacts derived from Climate Change, it is important to broaden the scope and eligibility of the projects that will be funded by the adaptation line. Therefore projects such as water resources management, land management, agriculture, health, infrastructure development, ecosystems, and integrated coastal zone management and sea level rise, among others, shall be included as eligible projects.

All the above modifications are illustrated in the following figure:

Figure 2: Colombian Proposal on Financial Mechanism



### Box C. Land Use, Land Use Change and Forestry

President Prong proposed the inclusion of avoidance of deforestation as an activity to be funded by the adaptation fund. At the same time this activity was not considered to be eligible under the CDM.

Colombia considers that there is a significant difference between forest conservation and avoidance of deforestation projects. Forest conservation projects include activities directed to protect these ecosystems from the impacts of climate change, as well as enhancing its ecological functions and structure. On the other hand, avoidance of deforestation projects include activities directly related to reducing anthropogenic emissions from sources; they represent mitigation actions as they certainly reduce the amount of GHG gases being emitted into the atmosphere.

Land use change activities represent a significant amount of emissions of GHG, especially in developing countries; these emissions are generated mainly from deforestation processes. Therefore, Colombia proposes to treat forest conservation projects as adaptation activities and avoidance of deforestation as mitigation activities.

Recognizing the high level of uncertainty of avoidance of deforestation projects in general, but acknowledging the importance of reducing the rate of emission from the most important source of GHG in developing countries, Colombia proposes not to exclude these activities from the CDM. Instead, to start a process to study the guidelines, modalities and rules for the possible inclusion of these activities under the CDM, for the second and subsequent commitment periods.

These changes are reflected both in Box A (eligibility of adaptation projects) where avoidance of deforestation was renamed as conservation projects, and Box C (Land use, land use change and forestry) where a provision to start the process of inclusion of avoidance of deforestation under the CDM, was included.

The next pages contain the specific modifications to the document FCCC/CP/2000/CRP.14.

## PROPOSED MODIFICATION TO DOCUMENT FCCC/CP/2000/CRP.14

Modify Section I para 1 to 10 as follows:

### **I. CAPACITY-BUILDING, DEVELOPMENT AND TRANSFER OF TECHNOLOGIES; IMPLEMENTATION OF ARTICLES 4.8 AND 4.9 OF THE CONVENTION (DECISION 3/CP.3 AND ARTICLES 2.3 AND 3.14 OF THE KYOTO PROTOCOL), MATTERS RELATING TO ARTICLE 3.14 OF THE KYOTO PROTOCOL; AND FINANCE**

#### **A. Funding mechanisms and guidance to the Global Environment Facility**

1. Parties have reached general agreement on frameworks for technology transfer, capacity-building, adaptation and impacts of response measures.

##### Convention Fund

##### ~~1. Adaptation fund~~

2. Parties decide to create a new ~~adaptation~~ **convention** fund as a trust fund under the Global Environment Facility (GEF). Separate guidance will be given to the fund and special consideration will be given to the needs of the Least Developed Countries (LDCs) and Small Island Developing States (SIDS).

3. The ~~adaptation~~ **convention** fund will finance the implementation of concrete ~~adaptation~~ projects in non-Annex I Parties (stage III activities) **through two funding lines: adaptation funding line and capacity building and technology transfer funding line**. Finance to the convention fund will be generated by:

- (a) **The share of proceeds applied to the Clean Development Mechanism (CDM) (2 per cent of the CERs generated by a project). The convention fund shall auction the CERs to guarantee the necessary and early liquidity of the fund. Annex I Parties or private or public entities can acquire these units, on the basis of Article 12;**
- (b) **voluntary contributions by Annex II Parties; and**
- (c) **transfer of [3 per cent (the same percentage of limitation of credits under article 3.4 as stated in para 54) ] of the initial assigned amounts of Annex II Parties to the registry of the fund. The convention fund shall auction the assigned amounts to guarantee the necessary and early liquidity of the fund. Annex I Parties or private or public entities can acquire these units, on the basis of Article 17.**

**In addition to the above-mentioned resources, Parties agree to increase resources for climate change funding through other channels such as national trust funds, bilateral agreements, technical co-operation and others. They agree that the sum total new and additional financing to be provided by Annex II parties on a grant or concessional basis should reach the level of one billion US\$ on an annual basis, as soon as possible, but not later than in the year 2005. If the resources referred above would be less than one billion US\$ on an annual average basis between 2000 and 2005, Parties agree to apply a levy on Article 6 (Joint Implementation) and/or Article 17 (emission trading) to the extent of fully covering the balance of the unfulfilled commitment referred above.**

The adaptation projects will be implemented by the United Nations implementing agencies, **regional development banks, and other multilateral agencies.**

**3 bis. The adaptation funding line will receive [60%] of the convention fund resources; while the technology transfer and capacity building funding will receive the remaining [40%].**

4. ~~The CDM Executive Board~~ Climate Resources Committee will manage the fund. The Committee shall function under the guidance of, and be accountable to, the Conference of the Parties ~~serving as the meeting of the Parties to the Protocol (COP/MOP)~~. Such guidance will cover programmes, priorities and eligibility criteria for funding of adaptation activities **and technology transfer and capacity building activities**, which shall include:

Under the adaptation funding line:

- (a) ~~Avoidance of deforestation~~ Forest and fragile ecosystem conservation including mountainous ecosystems
- (b) Combating land degradation;
- (c) Desertification. and
- (d) **Adaptation projects, when sufficient information is available to warrant such activities, *inter alia*, in the areas of water resources management, land management, agriculture, health, infrastructure development, ecosystems, and integrated coastal zone management, sea level rise**

Under the capacity building and technology transfer funding line:

- (e) **Technology transfer and technical support**
- (f) **Capacity-building related to climate change**
- (g) **Capacity-building specifically related to the CDM**
- (h) **National programmes containing mitigation measures; and**
- (i) **Assistance with economic diversification.**

## 2. ~~Convention fund~~

~~5. Parties decide to create a new window under the GEF: a Convention fund. Separate guidance will be given to the fund and special consideration will be given to the needs of the LDCs and SIDS.~~

~~(a) The Convention fund will be a special window under the GEF;~~

~~(b) Under this window, new and additional funding will be made available by Annex II Parties for the following activities in developing countries:~~

- ~~(i) Technology transfer and technical support;~~
- ~~(ii) Capacity building related to climate change;~~
- ~~(iii) Capacity building specifically related to the CDM;~~
- ~~(iv) National programmes containing mitigation measures; and~~
- ~~(v) Assistance with economic diversification.~~

~~6. New and additional funding will also be made available for capacity building in Annex I Parties with economies in transition.~~

~~7. The sources of funding for the Convention fund will be:~~

- ~~(a) — The third replenishment to the GEF;~~
- ~~(b) — Voluntary contributions by Annex II Parties;~~
- ~~(c) — Transfer of [X] per cent of the initial assigned amounts of Annex II Parties to the registry of the fund. Annex I Parties can acquire these units, on the basis of Article 17, for the purpose of meeting their commitments under Article 3.1;~~
- ~~(d) — Official development assistance.~~

~~8. — The existing GEF council will manage the Convention fund. The fund shall function under special guidance of, and be accountable to, the COP. This will ensure that the GEF becomes more responsive to the needs and priorities of developing countries. Ownership and “country drivenness” in GEF Convention fund projects will be enhanced. The scope of activities funded by the GEF will also be broadened. GEF procedures and policies will be streamlined.~~

### 3. Resources

~~9. — In addition to the above mentioned adaptation and Convention funds, Parties agree to increase resources for climate change funding through other channels. They agree that the sum total should reach the level of one billion US\$ on an annual basis, as soon as possible, but not later than in the year 2005. If resources in 2005 are less than one billion US\$, Parties agree to apply a levy on Article 6 (Joint Implementation) and/or Article 17 (emission trading).~~

### 4. Climate Resources Committee

10. Parties decide to establish a Climate Resources Committee at COP 6, with the following mandate:

- (a) **To manage the Convention fund and allocate resources between the two funding lines.**
- (b) To give policy advice to existing financing channels and institutions such as the GEF, Regional Development banks, the World Bank, United Nations Development Programme and other multilateral institutions. The advice will be focused on:
  - (i) Increasing climate funding;
  - (ii) Mainstreaming; and
  - (iii) Monitoring and assessment.
- (c) **To promote an efficient and equitable distribution of the Convention Fund through the implementation entities such as UN implementing agencies, regional development banks and other multilateral agencies.**

### **Modify Para 16, Option d**

~~d. Avoidance of deforestation~~ **Forest conservation** and prevention of land degradation, insofar as these activities are related to climate change.

### **Section III (D): Land Use, land Use Change and Forestry**

#### **Modify Para 62:**

~~Parties decide that activities that prevent deforestation and land degradation will not be eligible as credit generating projects under the CDM. However, these activities will be identified as priority~~

~~projects to be funded under the Adaptation Fund in order to address drought, desertification and watershed protection, forest conservation, restoration of native forest ecosystems and restoration of salinised soils.~~ **Parties recognize that emissions from deforestation in the tropics are an important source of GHG emissions. Therefore, parties decide to establish a process under the SBSTA to develop rules, modalities and guidelines, for the inclusion of prevention of deforestation projects under the CDM, for the second and subsequent commitment periods, taking into account further methodological work done by IPCC.**



SUBMISSION NO. 10: COSTA RICA

**Proposed Amendments to the**

**NOTE BY THE PRESIDENT OF COP6 (FCCC/CP/2000/CRP.14)**

(January 15, 2001)

**I. CAPACITY-BUILDING, DEVELOPMENT AND TRANSFER OF TECHNOLOGIES; IMPLEMENTATION OF ARTICLES 4.8 AND 4.9 OF THE CONVENTION (DECISION 3/CP.3 AND ARTICLES 2.3 AND 3.14 OF THE KYOTO PROTOCOL), MATTERS RELATING TO ARTICLES 3.14 OF THE KYOTO PROTOCOL; AND FINANCE.**

**A. Funding mechanisms and guidance to the Global Environment Facility**

1. Adaptation Fund

3. The adaptation fund will finance the implementation of concrete adaptation ~~projects~~ *measures* in non-Annex I Parties (stage III activities). Finance will be generated by the share of proceeds applied to the Clean Development Mechanism (CDM) *and Joint Implementation (JI)* (2 per cent of the CERs *and ERUs generated by project-based mitigation activities*). *In addition, Annex II Parties will transfer [X] per cent of their assigned amount to the registry of the fund. Annex I Parties can acquire these units, on the basis of Article 17, for the purpose of meeting their commitments of Article 3.1; (moved)*

4. The CDM Executive Board will manage the fund. The Board shall function under the guidance of, and be accountable to, the Conference of the Parties serving as the meeting of the Parties to the protocol (COP/MOP). Such guidance will cover programmes, priorities and eligibility criteria for funding of adaptation ~~activities~~ *measures*, which shall include:

- (a) ~~Avoidance of deforestation~~ *Forest conservation;*
- (b) ~~Combating land degradation~~ *Rehabilitation of degraded land;* and *[the rest of the text remains]*

*Rationale: Forest conservation and rehabilitation of degraded land address adaptation issues such as: watershed protection, restoration of native forest ecosystems and restoration of salinised soils. As such, may be included among those activities to be funded from the share of proceeds of the mechanisms of the KP intended to meet the costs of adaptation. This shall be without prejudice to the eligibility of reductions of emission by sources in the LULUCF sector (e.g. project based activities reducing the rate of net deforestation) as credit generating activity under the CDM.*

2. Convention fund

5. Parties decide to create a new window under the GEF: a Convention fund. Separate guidance will be given to the fund and special consideration will be given to the needs of the LDCs and SIDs.

...

- (b) Under this window, new and additional funding will be made available by Annex II Parties for the following activities in developing countries:

- (iv) National programmes containing ~~mitigation~~ *measures to address the adverse effects of climate change;* and *[the rest of the text remains]*

3. Resources

9. In addition to the above-mentioned adaptation and Convention funds, *Annex II Parties* agree to

increase resources for climate change funding through other channels. They agree that the sum total should reach *at least* the level of one billion US\$ on an annual basis, as soon as possible, but not later than in the year 2005. ~~If resources in 2005 are less than one billion US\$, Parties agree to apply a levy on Article 6 (Joint Implementation) and/or Article 17 (emissions trading).~~

#### **D. Adverse effects of climate change**

16. ~~Actions to be taken by Annex II Parties include~~ *are encourage to support the following actions in non-Annex Parties:*

...  
(d) ~~Avoidance of deforestation~~ *Forest conservation* and ~~prevention of land degradation~~ *rehabilitation of degraded land*, insofar as these activities ~~measures~~ *are related to the contribute to reduce the adverse effects of climate change in areas prone to natural disaster;*  
[the rest of the text remains]

*Rationale: Forest conservation and rehabilitation of degraded land contribute significantly to reduce the adverse effects of climate change (e.g. natural disaster by extreme weather events of flooding and droughts). As such, full consideration shall be given under the Convention Fund to these activities in countries with areas prone to natural disaster. This shall be without prejudice to the eligibility of reductions of emission by sources in the LULUCF sector (e.g. project based activities reducing the rate of net deforestation) as credit generating activity under the CDM.*

#### **G. Specific needs of the least developed countries (LDCs, including SIDS)**

20. A separate work programme will be established for LDCs to be financed by the GEF, focussing on:

...  
(c) Priority for the implementation of concrete adaptation projects ~~measures~~. Disaster relief, ~~avoidance of deforestation~~ *forest conservation* and ~~prevention of land degradation~~ *rehabilitation of degraded land* may be included; [the rest of the text remains]

## **II. MECHANISMS**

### **A. Relationship between the COP/ MOP and the Executive Board**

#### **2. Institutions for a prompt start for the CDM**

29. Appropriate resources *shall* ~~will be made~~ available for the prompt start of the CDM.

*(New paragraph) Parties decide that CDM project activities are voluntary and may be develop, financed and implemented individually or jointly by Parties included and/or not included in Annex I private and public entities*

### **B. Eligibility of project activities under the CDM**

*(New paragraph) Parties decide that a project activity reported as an Activity Implemented Jointly (AIJ) under the pilot phase might only be eligible for registration and certification under the CDM if it meets the criteria and provisions regarding the CDM (e.g. modalities, rules and procedures). Following AIJ project validation and registration under the CDM, emissions reductions by sources and/or enhancements of removals by sinks will be eligible for crediting.*

*Rationale: Experience acquired during the AIJ pilot phase made significant contribution to the definition of criteria and provisions for the CDM. In this regard, it will be relevant for the development of the CDM, to benefit from the AIJ learning curve. In addition, allowing for AIJ project*

*activities to be eligible for crediting under the CDM will recognize the effort and contribution of public and private entities from Annex I and non-Annex Parties to mitigate climate change.*

31. ~~Annex I Parties will declare that they will refrain from using nuclear facilities for generating certified emission reductions under the CDM.~~ ***CDM project based activities shall not consider the use of nuclear power.***

32. ~~Parties decided that because of their contribution to the ultimate objective of the convention and to sustainable development, the following activities should be given priority and will have expedited consideration within the rules, modalities and procedures of the CDM:~~

~~(a) Renewable energy (inter alia small scale hydro); and~~

~~(b) Energy efficiency improvements.~~

***32. The Executive Board shall elaborate and implement an expedited procedure for small-scale CDM projects that contribute to sustainable development of non-Annex I Parties and to the ultimate objective of the Convention.***

*Rationale: The KP establishes that projects in the CDM have to meet conditions to ensure environmental additionality and achieve sustainable development. Any small-scale project that complies with these principles should be eligible for expedited consideration regarding CDM procedures.*

33. ~~Under the guidance of COP/MOP, the Executive Board shall further develop rules and modalities for the operationalisation of this decision.~~

### **C. Supplimentarity**

33. Annex I Parties shall meet their emission commitments primarily through domestic action since 1990. Compliance with this principle will be assessed by the facility branch of the compliance committee on the basis of qualitative and quantified information, reported in national communications and reviewed under Article 8. ***Each Party's use of the CDM shall not exceed 25 per cent of its assigned amount pursuant to their quantified emission limitation and reduction commitments as defined in Annex B.*** The facilitative branch shall advise on how to ensure the effective implementation of this provision. ~~A first assessment should be reported in the fourth national communications of Annex I Parties due in 2005.~~

### **F. Promotion and geographic distribution of CDM projects**

43. Parties agree that there should be opportunities for all Parties to participate in the CDM and decide that an equitable distribution of CDM projects will be fostered. ~~Therefore standardized baselines, which are based on an appropriate Annex I average, may be used for small scale projects (<XMw) and renewable energy projects (<XMw). The Executive Board is asked to elaborate, and make recommendations on, preferential treatment of these project types.~~

44. Parties decide to foster participation by LDCs in the CDM by the following actions:

...

(c) Public funding ~~of~~ ***for the acquisition of CERs from*** a CDM project should be additional to current official development assistance.

## **III. LAND-USE, LAND-USE CHANGE AND FORESTRY**

***(New Introduction) Parties decide that LULUCF activity under Article 3.3, 3.4, 6 and 12, shall be based on the following principles: ("G-77+China principles" follows as a chapeau, reference***

***FCCC/SBSTA/Misc.8, Brazil submission on behalf of the Group of 77 and China)***

Rationale: Costa Rica supports the initiative to include the “G-77+China principles” as a chapeau to the LULUCF methodological issues and recognizes that these principles shall also be applied to LULUCF project based activities under the Kyoto Protocol (KP) mechanisms. These principles contribute to the integrity of the KP and preserve its global effect.

**A. Definitions for afforestation, reforestation and deforestation under Article 3.3**

46. Parties agree that for the implementation of Article 3.3, **3.4, 6 and 12**, “forest” is defined as: **“an area of land of 0.3-1.0 hectares (ha) with tree crown cover (or equivalent stocking level) of more than 10-30 percent with trees with the potential to reach the minimum height of 2-5 meters (m) at maturity in situ. A forest may consist either of closed forest formations where trees of various storeys and undergrowth cover a high proportion of the ground; or open forest formations over an area of 0.3-1.0 ha with a continuous vegetation cover in which tree crown cover exceeds 10-30 per cent. Young natural stands and all plantations which have yet to reach a crown density of 10-30 per cent or tree height of 2-5 m are included- (FCCC/SBSTA/2000/CRP. 11).** Parties recognize that there should be certain flexibility in applying ~~the FAO values~~ **the forest definition** in order to reflect national circumstances.

*Rationale: The definition of forest coupled with ARD activity definition (e.g. IPCC land-use change based definition) is the key to the identification of ARD lands under Article 3.3. Costa Rica supports the forest definition (e.g. specific thresholds for tree crown cover, tree height and minimum area) included in the draft conclusion by the chairman (FCCC/SBSTA/2000/CRP.11), except that regrowing stands that are below the tree height threshold (2-5 m) shall not be counted as forest. In virtue of the above, condemn any intention to allow inter-alia, additional activities under Article 3.4 (e.g. forest management) to be eligible under Art. 3.3, based solely on the FAO definition of forest. This is a no-solution and will result in unbalanced accounting if harvesting is not considered deforestation. According to the IPCC definitional scenario, harvest/regeneration cycle through forest management activities shall not create ARD lands nor trigger accounting under Article 3.3.*

47. Parties decide to establish a process **under SBSTA** to investigate the **inclusion** feasibility of applying biome-specific forest definitions for **the first and subsequent** future commitments periods.

**E. Land-use, land-use change and forestry under the clean development mechanism**

61. Parties agree that LULUCF activities can contribute to the two-fold purpose of the CDM. Parties therefore decide to include afforestation ~~and~~, reforestation **and reductions of emissions by sources in the LULUCF sector (e.g. project based activities reducing net deforestation)** under the CDM **for the first and subsequent commitments periods**. However, they also recognize the special concerns, which arise from implementing these projects.

*Rationale: Recognizing that the objective of the Convention and the KP are based on inflecting the curve of GHG emissions, both fossil and deforestation, project activities that effectively and credibly reduce the rate of net deforestation shall be eligible under Article 12<sup>1</sup>. Excluding land-use change project based activities that succeed in reducing emissions by sources will go against the letter, objective and principles of the Convention and the KP. In addition, it is inconsistent with the accounting framework for Annex I Parties defined under Article 3.3, where to the purpose of the CDM, eligible activities shall be those meeting requirements for Annex I compliance under Article 3.3, as well as those included in Article 12.5. Therefore, land-use change and forestry activities eligible*

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<sup>1</sup> Methodologies accounting for activities reducing the rate of net deforestation shall not give consideration to the simple presence of carbon stocks (Group of 77 and China principle on LULUCF).

*under Article 12 shall not be restricted to afforestation and reforestation. If project based activities that succeed in reducing net deforestation are to be excluded from the CDM, there will be no economic incentive to counter-balance a potential market leakage. Under this scenario, the new environmental value of standing forests in Annex I Parties will lead to a decrease in wood supply from those countries and will cause an increase in the demand for wood stemming from non-Annex Parties. Furthermore, because of the production cycle, this demand is not likely to be met from reforestation lands, but from deforestation, legally practiced in most developing countries. From the climate perspective, the situation is much more serious. A very likely 10 per cent displacement of the production of timber from the Annex I temperate forests to the non-Annex I tropical forests would result in a global leakage much larger than the apparent reduction of emissions to be reported by Annex I countries in the LULUCF sector. On unit-per-unit basis, what would seem to reduce global emissions by one unit will, in reality, increase the global emissions by 5 units, thereby undermining the very purpose of the KP. This is so just because the forestry sector of non-Annex I Parties can not be excluded from the global market. This non-solution misleads Annex I reductions from their real emissions sources. It will focus Annex I reductions on a source (Annex I deforestation) which constitutes only 2% of the global emissions. At the same time, sidesteps 63% of global emissions, generated by fossil fuels and other sources in Annex I countries. In both cases, reductions are focused on the correct group of countries, but on the wrong source. At the end the mitigation efforts will focus mainly on only 16% of the global emission sources (as shown in the table below), putting at stake the credibility of KP and above, the global commitment to mitigation.*

*Global anthropogenic emissions of CO<sub>2</sub> (1995)*

<i>Emission Source</i>	<i>Annex I (%)</i>	<i>non-Annex I (%)</i>	<i>Total (%)</i>
<i><u>Deforestation</u></i>	<i><u>2</u></i>	<i>21</i>	<i><b>23</b></i>
<i>Fossils and others</i>	<i>63</i>	<i><u>14</u></i>	<i><b>77</b></i>
<i><b>Total</b></i>	<i><b>65</b></i>	<i><b>35</b></i>	<i><b>100</b></i>

62. ~~Parties decide that activities that prevent deforestation and land degradation will not be eligible as credit generating projects under the CDM. However, these activities will be identified as priority projects to be funded under the Adaptation Fund in order to address drought, desertification and watershed protection, forest conservation, restoration of native forest ecosystems and restoration of salinised soils.~~
63. Parties recognize that accounting modalities and definitions for Article 3.3 ~~may stand with minor changes for application in the CDM need to be modified~~, and that the issues of non-permanence, social and environmental effects, leakage, additionality and uncertainty should be properly addressed **in project design**. LULUCF projects ~~would~~ **should** also need to be in conformity with the **sustainable development goals of the host country and as appropriate, with the** objectives of others multilateral environmental agreements.
64. Parties therefore decide to establish a process under SBSTA to develop **further** rules and ~~modalities provisions taking into account further methodological work by IPCC, where necessary,~~ to deal with these issues, **with a view toward a decision at COP7**.

*Rationale (paragraphs 63 and 64): Major concerns regarding CDM project based activities (e.g. baselines, leakage, accounting, monitoring and reporting) are similar to those of other sectors or categories of projects, and not unique to LULUCF project based activities. The IPCC Special Report on LULUCF has properly addressed those major methodological concerns for LULUCF project based activities under the CDM. The IPCC Special Report identified one unique issue that is only related to*

*sink project based activities (e.g. afforestation and reforestation). This single issue is that of permanence. However, the introduction of “temporary” CERs is among others (e.g. risk management and discounting), a widely accepted solution for this issue. In general, for most methodological issues and definitions, LUCF activities do not require new texts and provisions for application under the CDM. Forest definition and IPCC ARD definitions also stand, with minor changes (ref: FCCC/SBSTA/2000/9, proposal presented by Costa Rica on LUCF definitions for CDM project based activities).*

***(New paragraph) Parties decide that the validity of CERs attributable to LUCF project based activities under the CDM may be “permanent” or “temporary”. They will be “permanent” for activities reducing emissions by sources (e.g. project-based activities reducing net deforestation) and “temporary” referring to removals by sinks (e.g. reforestation and afforestation project based activities, when appropriate). The Executive Board is asked to elaborate provisions for the operationalisation of this decision.***

*Rationale: Recognizing that the objective of the Convention and the KP are based on inflecting the curve of global emissions, both fossil and deforestation, LUCF project based activities that succeed in reducing emissions by sources in non-Annex I Party (e.g. project based activities decreasing net deforestation<sup>2</sup>) shall be considered a “permanent” contribution to mitigate climate change and therefore, eligible for “permanent” CERs under the CDM. On the other hand, for sink project based activities (e.g. afforestation and reforestation, when appropriate), the concept of “temporary” CERs might be considered as a solution for the permanence issue, releasing non-Annex I country from any future commitments<sup>3</sup>. “Temporary” CERs may be issued referring to the climate benefit of uptaking a certain amount of carbon for a period of time. It is accepted that “temporary” CERs have significant environmental (e.g. delay radiative forcing effect in the atmospheric) and economic benefits, and is neutral from the atmospheric point of view. Any Annex I Party that utilizes “temporary” CERs for achieving compliance with its commitments defined in Article 3 assumes the obligation of subtracting to its assigned amount the nominal equivalent value of these “temporary” CERs upon their expiration or to replace either by a “permanent” CERs or new expiring ones.*

***(New paragraph) Parties decide to apply a 50 per cent discount (buyer liability approach) to all CERs validated from land-use change project based activities that succeeds in reducing emissions by sources (e.g. activities reducing net deforestation). The Executive Board is asked to elaborate provisions for the operationalisation of this decision.***

*Rationale: Under a 50 per cent discount rule for every two units of emission reduction by source (e.g. project based activities reducing net deforestation) in a non-Annex country attributable to Annex I Party, only one unit could be credited against their emissions reductions commitments under Article 3 (buyer liability approach). Credit discounting results in lower savings for Annex I Parties. However, redirected a portion of the savings to these developing countries to further reduce global emissions in a voluntary basis. In addition, credit discount address scale concerns and counter-balances the global leakage, which would seriously threaten the environmental integrity of the KP. This overall decrease in global emissions will not have commitment implications for non-Annex Parties.*

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<sup>2</sup> Emissions from deforestation are proportional to the rate of deforestation, which in turn could be measured over a period of time in order to reflect its trend.

<sup>3</sup> From the Colombian proposal (FCCC/SBSTA/2000/Misc.8): “expired CERs will have to be replaced at the end of the project lifetime either by a permanent CERs or new expiring ones”.

SUBMISSION NO. 11: INDIA

*Box A: Capacity building, technology transfer, Implementation of Article 4.8/4.9; 3.14, finance*

**Funding mechanisms and guidance to the GEF**

**Adaptation fund:**

Opening sentence, starting with "Parties decide to create new fund": delete the words "the GEF" and substitute it with "Article 12 of Kyoto Protocol". Second sentence, starting with "Separate guidance": delete the words "separate guidance will be given" and substitute it with "COP/MOP shall provide guidance."

Delete the first bullet.

Second bullet, first sentence: delete the words "stage III activities" appearing in parenthesis. Second bullet, second sentence: add the following at the end of the sentence "and levy on Article 6 and Article 17."

Third bullet, first sentence: substitute full stop with comma and add " and will determine the entity or entities to be entrusted with the operation of the fund."

Add the following at the end of the fourth bullet: "and extreme weather events."

**Convention fund:**

Opening sentence, starting with "Parties decide to": add the following at the beginning of the sentence: "In order to effectively implement Article 11 of the Convention,". Add the following after end of the second sentence ending with "...LDCs and SIDs.": "This will ensure that the GEF becomes more responsive to the needs and priorities of the developing countries. Ownership and "country-drivenness" in the GEF projects will be enhanced. The scope of activities funded by the GEF will also be broadened. GEF procedures and policies will be streamlined."

Second bullet, last sentence: delete "New and additional funding will also be made available for capacity building in Annex I Parties with economies in transition."

Third bullet, first point: substitute "third" with "enhanced".

Third bullet, second point: delete "voluntary" and add "on grant or concessional basis in accordance with Article 11 of the Convention" at the end of the sentence after the word "Parties".

Delete the third point of the third bullet.

Delete the fourth bullet.

**Resources**

Second sentence, starting with "They agree": add "at least" before "one billion".

Delete the third sentence.

**Climate Resources Committee**

Opening sentence: insert "expert" after the words "Climate Resources".

First bullet: delete the word "policy"

Second bullet: add the words "through new and additional financial resources" at the end.

Third bullet: add the words "of adaptation activities and transfer of technology" at the end.

Fourth bullet: add the words "of projects" at the end.

### **Technology Transfer**

First bullet: insert the words "to review implementation of Article 4.5 of the Convention" after the words "...technical and scientific experts" and substitute the words " SBSTA" with "COP."

Second bullet: add the words "inter-alia" after the words "The group will".

Delete second point of the second bullet.

Second bullet, third point: delete the words " as identified in the IPCC special report on technology transfer."

Third bullet: substitute "SBSTA" with "COP" and delete the words "request the COP to."

### **Adverse effects of climate change**

Second bullet, starting with "Adaptation projects": add "Funding of" before "Adaptation projects".

### **Actions to address impacts of response measures(Article 3.14)**

First bullet, third line: delete "(e.g. coal subsidies)" appearing after the word "instruments".

Second bullet, second sentence starting with "A certain": delete the sentence "A certain degree of flexibility shall be allowed to Parties included in Annex I undergoing the process of transition to a market economy".

### **Actions to address impacts of response measures(Article 4.8)**

First bullet: insert the words "related to funding, insurance and transfer of technology" after the words".. through concrete actions".

Second bullet: add the following sentence at the beginning "Developed Country Parties shall report on actions to address impacts of response measures in accordance with Article 12.3".

### **Specific needs of the least developed countries (LDCs, including SIDS)**

First bullet: insert the words "by the COP under Article 11, 3(a) of the Convention" after the words " will be established for LDCs."

First bullet, fourth point: substitute the word "assist" with "advise" and further add the words "in implementation of Article 4.9 and" before the words "in national adaptation programmes of action."

Delete the second bullet.



## ***Box B. Mechanisms***

### **COP/MOP Executive Board**

#### **A. Composition of the executive Board of the CDM**

First bullet: delete the following: "Parties therefore decide on a balanced approach in the composition and voting procedure."

Substitute the bullets 2,3 and 4 with: " The composition of the Executive Board will be in accordance with equitable geographical representation. The Board shall be constituted by an equal number of members from each of the five UN regional groups, with a total of 15 members."

#### ***C. Institution for a prompt start for the CDM***

Delete the words " Institution for a" in the caption. The caption would read as "Prompt start for the CDM".

First bullet, second line: pre-fix Executive Board by "interim", delete "will be elected" appearing after "Executive Board" and substitute "subsidiary bodies" by "COP".

Third bullet: delete "are" appearing after "resources".

#### **Eligibility of project activities under the CDM**

First bullet, first line: add "host developing country" before "Party's discretion".  
Delete the second and third bullet.

#### **Supplementarity**

Substitute "principle" with "commitment", delete "by the facilitative branch of the compliance committee", replace the word "quantified" with "quantitative", add "annual inventory under Article 7.1 and" before the words "national communications" and add the words " under Article 7.2" after the words "national communications" in the second sentence.

Delete the third sentence "The facilitative branch shall advise on how to ensure the effective implementation of this provision".

#### **Trading modalities and liability**

First bullet, first line: replace the words "fulfil their commitments in a cost effective way" with "meet the objectives of the Convention."

First bullet, third line: replace the word "overselling" with "overtransferring."

Second bullet, first line: substitute "a portion " by "part".

Second bullet, second line: substitute " portion " by "part".

Second bullet, second line: substitute the words "70 percent" with "97 percent."

Second bullet, third line: substitute " portion " by "part".

Third bullet, first line: substitute "portion " by "part".

### **Fungibility**

Substitute the caption " Fungibility" with "Principles of Emission Trading under Article 17".

First bullet, fourth line, sentence starting with "Parties affirm that..": delete the words "Parties affirm that in their actions to achieve the purpose of the mechanisms,".

Replace the second bullet with the following: "Parties decide that 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".

In the third bullet, delete the following: "to emissions of any kind in the pursuance of Articles 3, 6, 12, 17 of the Kyoto Protocol which affects the consideration or decision making on subsequent commitments. Parties recognise that the consideration of such commitments should be based on equitable criteria, common but differentiated responsibilities and respective capabilities."

Fourth bullet, first sentence: replace the words "note" with "decide".

Fourth bullet, second sentence: delete the words "Parties agree that"

Delete the fifth bullet.

### **Promotion of Geographic Distribution of CDM Projects**

First bullet second sentence: replace the words "Therefore, standardized baselines, which are based on appropriate Annex I average, may be used" with "Executive Board shall develop standardized baselines where appropriate."

Second bullet, first line: substitute the word "Parties" with the words "Executive Board" and "decide to" with "shall".

Delete the second point of the second bullet.

### **Procedures for "Joint Implementation"**

Delete the paragraph.

### ***Box C. Land-use, Land-use change and forestry***

#### **Definitions for afforestation, reforestation and deforestation under article 3.3**

Third bullet, second sentence : delete the sentence "According to the IPCC Special Report, this set of definitions delivers an accounting system that is closest to the actual exchange between lands brought under the system and the atmosphere."

Third bullet, after end of first sentence: add the following sentence: "only net carbon sequestered shall be considered."

**Additional activities and accounting under Article 3.4**

Delete the entire section.

**Additional activities and accounting under Article 3.4 in the second and consecutive commitment periods**

Second bullet, fourth line: add the words "and advice of SBSTA" at the end of the sentence.

**LULUCF under the Clean Development Mechanism**

First bullet, second sentence: add the following at the end of the sentence: "provided the issues of non-permanence, leakage, monitoring and measurement, reporting, verification, adverse social and environmental impact including adverse impact on biodiversity can be satisfactorily resolved."

Fourth bullet, first line: delete the words "rules and".

***Box D. Policies and Measures, Compliance, Accounting, Reporting and Review***

**Policies and measures**

Second bullet, first line: delete "Annex I".

**Compliance: consequences of non-compliance with Article 3.1**

Delete the fourth bullet.

**Compliance: differentiation between Parties (in particular Annex I and non-Annex I)**

First bullet: replace the words "obligations that are incumbent on" with the words "commitments of".

Second bullet, second line: add "such" before "Parties".

Second bullet: add the following at the end of the sentence "in accordance with article 4.3 of the Convention".

Third bullet: substitute the sentence "There will be no differentiation between Annex I Parties and non-Annex I Parties in respect of the application of consequences by the facilitative branch" with "The facilitative branch, shall take into account Article 4.7 of the Convention and Article 10 and 11 of the Kyoto Protocol while determining consequences for the Parties".

**Compliance: relationship between the COP/MOP and the Compliance Committee**

First bullet: delete "the role of" appearing before COP/MOP, substitute "should be limited to giving general" by "shall give" and delete "and that it should not intervene in individual cases".

**Mandates enforcement branch and facilitative branch**

First bullet : replace the words "quantitative emission commitments" with "all commitments under Article 3 and".

Second bullet: delete "3.14" in the second line and the words "character of".

Third bullet, first line: insert the words "non Annex" before the words "parties".

**Compliance: composition of the Compliance Committee**

*Enforcement branch*

Delete second point of the fourth bullet.

SUBMISSION NO. 12: JAPAN

**Box A: CAPACITY BUILDING, TECHNOLOGY TRANSFER, IMPLEMENTATION OF ARTICLES 4.8/4.9; 3.14 FINANCE**

**Funding Mechanisms and guidance to the GEF**

Parties have reached general agreement on the frameworks for technology transfer, capacity building, and other forms of assistance related to mitigation of, and adaptation to, climate change. These frameworks will further the objectives of the Convention, including as reflected in the Buenos Aires Plan of Action. Parties have also reached general agreement that special consideration will be given to the least developed countries and small island States amongst them.

Annex II Parties express their intent to seek, through a variety of means, including augmenting their bilateral programs, a significant increase in funding for international climate change related activities, recalling, *inter alia*, Article 4.3 of the Convention. Annex II Parties have also expressed their support for a successful replenishment of the Global Environment Facility and commitment to ensure that the GEF become more responsive to the needs and priorities of developing countries. Ownership and “country-drivenness” in GEF projects should be enhanced. The scope of activities funded by the GEF should also be broadened. GEF procedures and policies should be streamlined.

Adaptation Fund

Parties declare their intention to seek the establishment of, and the resources to fund, a new window under the GEF: the Adaptation Fund.

- ❖ The implementation of concrete pilot adaptation projects in developing country Parties will be financed. Projects will be implemented by the GEF Implementing Agencies.
- ❖ The GEF Secretariat will manage the fund. The fund will function under the guidance of the COP/moP. Such guidance will be given on programs, priorities and eligibility criteria for funding of adaptation activities
- ❖ The following activities will be included in the category of adaptation activities: avoidance of deforestation, combating land degradation and desertification.

Specific needs of the least developed countries (LDCs, including SIDS)

- ❖ Within the Adaptation Fund, a separate work programme will be established for the least developed countries and small island States amongst them, based upon the scope of needs identified in XX.CP6, XX.CP6...
- ❖ To encourage a greater flow of CDM projects to the LDCs, CDM projects in LDCs will be exempt from the share of the proceeds for adaptation. The implementation of ‘small scale CDM projects’ will also be promoted.

Convention fund

Parties declare their intention to seek the establishment of, and the resources to fund, a new window under the GEF: a Convention Fund.

- ❖ Under this window, new and additional funding will be made available by Annex II Parties for activities in developing countries: technology transfer and technical support, capacity building related to climate change, specific CDM capacity building, , assistance with economic diversification. New and additional funding will also be made available for capacity building in Annex I Parties with economies in transition.

Funding related to mitigation will be for the purpose of a Party's implementation of national abatement and sequestration strategies, which are to be consistent with criteria to be agreed.

- ❖ The GEF Secretariat will manage the fund. The new GEF window will operate under the policy guidance of the COP/MOP.

### Funding and Modalities

Contributions from Annex II Parties will reflect their initial assigned amounts. These contributions should be made at rates adjusted to generate \$1 billion over the first commitment period. These may be directed to either the Adaptation or Convention funds or both as Parties deem appropriate, with the modalities to be defined at COP 7. Finance for the Adaption Fund will be generated by the share of the proceeds on the CDM (2% of the CERs generated by projects), voluntary contributions and by a percentage of assigned amount, or its financial equivalent.

-- There will be periodic reviews of the modalities of the new GEF funds, including with respect to the level of funding and the eligibility requirements.

### Climate Resources Committee

Parties declare their intent to establish a Climate Resources Committee at COP-7, with the following mandate:

- ❖ To give policy advice to existing multilateral financing channels and institutions such as the GEF, Regional Development banks, the World Bank, UNDP and other multilateral institutions. The advice will be focused on:
  - Maximizing climate change funding
  - Mainstreaming climate-related objectives into existing financial flows

### Technology Transfer

- Parties decide to establish an ~~intergovernmental~~ consultative group of technical and scientific experts on technology transfer under the SBSTA.
- The group will:
  - Facilitate the exchange ~~and review~~ of information by creating an information clearinghouse and enhancing linkages between existing regional and other technology information centers;
  - Advise SBSTA on further actions to be taken.
  - Focus on ways and means to address the barriers for technology transfer as identified in the IPCC special report on technology transfer
  - Be composed on the basis of equal ~~geographical~~ distribution between Annex I and non-Annex I parties.
  - Decisions of the group shall be taken by consensus.
  - Conclude its work with a final report to SBSTA at its seventeenth session.
- SBSTA will review the group's work ~~on a regular basis~~, consider its advice and if necessary request the COP to take any further action, ~~including inter alia programs and priorities for financing of activities~~ with regard to the above activities.

### Adverse effects of climate change

Encourages Parties not included in Annex I to the Convention to provide information including for their national communications and any other relevant information sources on their specific needs and concerns from the adverse effects of climate change.

~~Actions to be taken by Annex II Parties include~~ are encouraged to support the following actions:

- ❖ Pilot or demonstration projects to show how adaptation planning and assessment can be

practically translated into projects and integrated into national policy and sustainable development planning. Non-Annex I Party national communications, other relevant sources and the staged approach endorsed by the COP will serve as a basis.

- ❖ Adaptation projects, when sufficient information is available to warrant such activities, inter alia, in the areas of water resources management, land management, agriculture, health, infrastructure development, ecosystems, and integrated coastal zone management
- ❖ Improved monitoring of diseases and disease control and prevention for Parties affected by climate change
- ❖ Avoidance of deforestation and prevention of land degradation, insofar as these activities are related to climate change
- ❖ Strengthening and, *where necessary*, establishing national and regional centers and information networks for rapid response to extreme weather events, utilizing information technology as much as possible

### **Actions to address impacts of response measures (Article 3.14)**

Annex I Parties and other Parties in a position to do so ~~decide~~ are encouraged to report in their national communications on:

- ❖ The efforts to ~~limit~~ minimize the adverse social, environmental and economic impacts of the policies and measures they have adopted or are planning with the aim of addressing climate change, such as: reducing or phasing out ~~market distorting instruments (e.g. coal production subsidies)~~ and reducing ~~or phasing out the use of high-emissions energy carriers from all sources.~~
- ❖ The national communications will be reviewed under the Kyoto Protocol (Article 8). A certain degree of flexibility shall be allowed to Parties included in Annex I undergoing the process of transition to a market economy.

### **Actions to address impacts of response measures (Article 4.8)**

- ❖ Annex II Parties ~~will~~ are encouraged to assist non-Annex I Parties adversely affected by response measures through concrete actions based on further methodological work in the field of technology transfer, capacity building, economic diversification, increasing energy efficiency in fossil fuel production, advanced fossil fuel technologies (including carbon capture and storage)
- ❖ Developing country Parties will report on their specific needs and concerns arising from the implementation of response measures, effectively implementing the guidelines for national communications

### ***Box B. Mechanisms***

#### **COP/MOP <-> Executive Board**

##### **A. Composition of the Executive Board of the CDM**

- ❖ Parties agree that the composition of the Executive Board is an essential element in ensuring integrity, credibility and efficient operationalisation of the system. Parties therefore decide on a balanced approach in composition and voting procedures.
- ❑ ~~The balance in the Executive Board will be in accordance with current UNFCCC practices (equitable geographical representation of the five UN regional groupings, taking into account the interest groups as reflected by the current practice in the UNFCCC Bureau).~~
- ❖ Equal numbers of members from each of the five UN regional groups, plus one representative from the group of small island developing States (16 members).
- ❖ Equal number of members from the Parties included in Annex I and from the Parties not included in Annex I. (Note: We are open to discussing some compromise between the UN

regional grouping and Annex I, non-Annex I combination.)

- ❖ Executive Board members shall make every effort to reach agreement on any proposed decision by consensus. Any decision shall as a last resort be adopted by a three-fourths majority vote of the members present and voting at the meeting, and double majority.

#### *B. Decision-making power of the COP/MOP vis-à-vis the Executive Board*

- ❖ The Executive Board shall be subject to the authority and guidance of, and be accountable to, the COP/MOP. The Executive Board shall approve methodologies, approve projects and issue CERs.

#### *C. Institutions for a prompt start for the CDM*

- ❖ Parties decide that a prompt start for the CDM will be operationalised by electing the Executive Board will be elected at the next session of the subsidiary bodies.
- ❖ The Executive Board will be served by the UNFCCC secretariat.
- ❖ Prior to COP7, SBSTA will undertake further detailed work on baseline, monitoring, and related methodologies, with a view to their adoption by COP7.
- ❖ Appropriate resources are will be made available for the prompt start of the CDM.

#### **Eligibility of project activities under the CDM**

- ❖ Parties recognize that it is up to the Party's discretion to judge whether a project activity is in line with its national strategy on sustainable development.
- ❖ ~~Annex I Parties will declare that they will refrain from using nuclear facilities for generating certified emission reductions under the CDM.~~
- ❖ Parties decide that because of their contribution to the ultimate objective of the convention and to sustainable development, the following activities should be given priority and will have expedited consideration within the rules, modalities and procedures of the CDM:
  - renewable energy (inter alia small scale hydro)
  - energy efficiency improvements
- ❖ ~~Under the guidance of COP/MOP, the Executive Board shall further develop rules and modalities for the operationalisation of this decision.~~

#### **Supplementarity**

- ❖ Annex I Parties shall demonstrate that they meet their emission commitments primarily through domestic action since 1990. ~~Compliance with this principle will be assessed by the facilitative branch of the compliance committee on the basis of qualitative and quantified information, reported in national communications. Also, the information on policies and measures in national communications should be reviewed as the part of the review process established under Article 8, and reviewed under Article 8. The facilitative branch shall advise on how to ensure the effective implementation of this provision. A first assessment should be reported in the fourth national communications of Annex I Parties due in 2005.~~

#### **Trading modalities and liability**

- ❖ Parties agree that Article 17 provides opportunities for Parties to fulfill their commitments in a cost-effective way. Parties also recognize that reporting, review and a strong and enforceable compliance regime ~~are~~ may not be sufficient to prevent Parties from overselling, thereby potentially endangering the environmental integrity of the system.
- ❖ Parties therefore decide that Annex B Parties shall retain a portion of their assigned amounts in their national registries specific to that commitment period. This portion shall be 70 percent of their assigned amounts or the portion determined on the basis of projected or recent



emissions.

- ❖ After the annual review of each Party's emissions data, the portion of assigned amount that must be retained shall be recalculated and, if necessary, adjusted.

### **Fungibility**

- ❖ Parties should protect the climate system for the benefit of present and future generations of human kind, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities. Accordingly, the developed country Parties should take the lead in combating climate change and the adverse effects thereof. Parties affirm that in their actions to achieve the purpose of the mechanisms, Parties shall be guided by Article 2 of the Convention and the principles contained in Article 3 of the Convention.
- ❖ Parties note 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 developments needs.
- ❖ Parties recognize that the Kyoto Protocol has not created or bestowed - on Parties included in Annex I to the Convention and in Annex B to the Protocol – any right, title or entitlement to emissions of any kind in the pursuance of Articles 3, 6, 12, 17 of the Kyoto Protocol which affects the consideration or decision-making on subsequent commitments. Parties recognize that the consideration of such commitments should be based on equitable criteria, common but differentiated responsibilities and respective capabilities.
- ❖ Parties note that emissions reduction units (under 'joint implementation ') and parts of an assigned amount (under emissions trading) could be added to, or subtracted from, the assigned amount of a Party. Parties agree that certified emissions reduction units (CDM) emission reduction units, and assigned amount units can be used towards meeting the Party's current commitments, banked for commitment, and further transferring.~~could be added to the assigned amount of a Party and could be used for the purpose of contributing to compliance with the quantified emission limitation and reduction commitments in Article 3 without altering that Party's assigned amount pursuant to its commitments inscribed in Annex B.~~
- ❖ Parties decide that ~~emission reduction units and parts of assigned amount~~ "may be exchanged according to the rules and procedures to be established by the COP/MOP."

### **Promotion of geographic distribution of CDM projects**

- ❖ Parties agree that there should be opportunities for all Parties to participate in the CDM and decide that an equitable distribution of CDM projects will be fostered. Therefore standardized baselines, ~~which are based on an appropriate Annex I average,~~ may be used for small-scale projects (~~<XMw~~) and renewable energy projects and energy efficiency investments (~~<XMw~~). The Executive Board is asked to elaborate on and make recommendations on preferential treatment of these specific project types.
- ❖ Parties decide to foster LDC participation in the CDM by:
  - Special attention will be paid to institutional capacity building for LDCs;
  - CDM projects in LDCs will be exempt from the share of proceeds for adaptation;
  - ~~Public funding of a CDM project should be additional to current ODA.~~
- ❖ Public funding of a CDM project should be additional to current ODA.

### **Procedures for "joint implementation"**

- ❖ Parties note that "joint implementation" takes place among Annex I Parties with greenhouse gas emission limitation and reduction commitments. Therefore, Parties decide that there is no

need for stringent procedures on verification if Parties meet the reporting requirements. Parties note that if Parties do not meet these requirements, they should follow ~~the same~~ rigorous procedure ~~as similar to provided~~ those provided for under the CDM procedures.

### **Box C**

Japan believes that the LULUCF issue holds one of the keys to a successful conclusion of the negotiations at the resumed COP6. Interested parties including Japan  continue to discuss major issues regarding the Kyoto Protocol after the Hague meeting.

While those parties have not yet reached an agreement, Japan understands that, as far as LULUCF is concerned, the President's Note has become obsolete as a basis for further negotiations.

In order to make the resumed COP6 a success, Japan believes it necessary to continue discussions among interested parties, and intends to report its outcome as soon as an agreement is reached. Japan is not ready to submit its comments on the LULUCF issue at this point and looks forward to reporting on a successful outcome of continued discussions at a later stage.

### **Box D. Policies and Measures, Compliance, Accounting, Reporting and Review**

#### **Policies and measures**

- ❖ Parties decide to continue exchange of information on Policies and Measures.
- ❖ Parties decide to invite submissions by Annex I Parties on ~~the meaning of~~ demonstrable progress and the need for guidelines for reporting on this progress (Article 3.2 of the Kyoto Protocol) for SBSTA 14, with a view to have a further consideration at CoP-7.

#### **Compliance: consequences of non-compliance with Article 3.1**

- ❖ Parties decide that consequences for non-compliance with Article 3.1 should be agreed in advance and should not be subject to the discretion of the enforcement branch.
- ❖ Parties recognize that subtraction of excess emissions from a party's assigned amount for the subsequent commitment period against an ~~incentive-penalty~~ rate guarantees environmental integrity, provided that the adoption and the entry into force of the emission commitments for subsequent commitment periods are timely.
- ❖ Parties note that ~~incentive-penalty~~ rates will be an essential element of the compliance system. Although they will partly serve as an interest rate for the delays in the achievement of emission commitments, they should also be an incentive to comply and they should, therefore, be set at a ~~relatively high level that discourages delay~~.
- ❖ Parties decide that emission commitments for the second commitment period should be adopted before the beginning of the first commitment period.
- ❖ Parties decide that, if a Party has been determined as being in non compliance with its commitments under Article 3.1, the enforcement branch should apply the following consequences:
  - Subtraction of excess emissions from the assigned amount of the subsequent commitment period.
  - ~~Penalty-Incentive~~ rate should be set at ~~[1.5]~~ 1.1 ~~and be increased by 0.25 after the subsequent commitment period if the Party concerned is not in compliance at the end of the subsequent commitment period.~~
  - Parties concerned shall after determination of non compliance, develop and submit to the enforcement branch ~~for its approval~~ a compliance action plan setting out how they propose to meet their commitments in the subsequent commitment period.

### **Compliance: differentiation between Parties (in particular Annex I and non-Annex I)**

- ❖ Parties decide that the mandate of the enforcement branch will be limited to obligations that are incumbent on Annex I Parties.
- ❖ There will be no eligibility requirements for non-Annex I Parties in respect of their participation in the CDM, recognizing that only Parties can participate in the CDM that have ratified the Kyoto Protocol and meet commitments under Article 12 of the Convention taking into account the availability of financial resources.
- ❖ There will be no differentiation between Annex I Parties and non-Annex I Parties in respect of the application of consequences by the facilitative branch.

### **Compliance: relationship between the COP/MOP and the Compliance Committee**

- ❖ Parties decide that the role of the COP/MOP should be limited to giving general policy guidance to the Compliance Committee and that it should not intervene in individual cases.
- ❖ Parties decide that there is no need for an appeals procedure.

### **Mandates enforcement branch and facilitative branch**

- ❖ Parties decide that the mandate of the enforcement branch covers quantitative emission commitments, eligibility requirements under Articles 6, 12 (only Annex I Parties) and 17.
- ❖ All other cases of non-compliance fall within the mandate of the facilitative branch, including Articles 2.3, 3.14, 5.1, 7.1, 7.2, 10 and 11, taking into account the character of commitments for Annex I and Non Annex I Parties.
- ❖ The facilitative branch shall be responsible for providing advice, facilitation to parties in implementing the Kyoto Protocol and promoting compliance of Parties with their commitments under the Protocol.

### **Compliance: composition of the Compliance Committee**

- ❖ Parties decide to establish a Compliance Committee, which shall function through two branches namely a facilitative branch and an enforcement branch.

#### *Facilitative branch*

- ❖ ~~Parties decide that the balance in the facilitative branch will be in accordance with current UNFCCC practices (equitable geographical representation of the five UN regional groups, taking into account interest groups as reflected by the current practice in the UNFCCC Bureau).~~
- ❖ ~~Equal numbers of members from each of the five UN regional groups, plus one representative from the group of small island developing States.~~
- ❖ ~~The facilitative branch shall consist of 11 members, the majority nominated by Annex I Parties.~~
- ❖ ~~Facilitative branch members shall make every effort to reach agreement on any proposed decision by consensus. Any decision shall, as a last resort, be adopted by a three-fourths majority vote of the members present and voting at the meeting, including a majority in Annex I and non-Annex I, plus a double majority (majority as a whole and in of Annex I and non-Annex I Parties).~~

#### *Enforcement branch*

- ❖ ~~Parties decide that the balance in the enforcement branch will be primarily experts nominated by Annex I Parties in accordance with current UNFCCC practices (equitable geographical representation of the five UN regional groupings, taking into account the interest groups as reflected by the current practice in the UNFCCC Bureau).~~

- ~~Equal numbers of members from each of the five UN regional groups, plus one representative from the group of small island developing States.~~
- ❖ The enforcement branch shall consist of ~~11~~ 5 members nominated by Annex I Parties.
- ❖ Enforcement branch members shall make every effort to reach agreement on any proposed decision by consensus. Any decision shall as a last resort be adopted by a:
  - Three-fourths majority vote of the members present and voting at the meeting
  - ~~Double majority (majority as a whole and in annex I and non-annex I).~~
  -

### **Compliance: Legal basis, the form of adoption of the final result on compliance**

- ❖ Parties decide that the adoption of the compliance system, including binding consequences, should be legally based on:
  - An agreement supplementing the Kyoto Protocol prior to its entry into force

(Delete this section or replace with “adopt by COP/MoP decision”.)

### **New Box**

#### Issues Related to Article 4

- There must be parity of treatment among all Annex I Parties, including those under an Article 4 arrangement
- In terms of compliance, environmental integrity dictates that any restrictions on transfers of assigned amount must include transfers under an Article 4 agreement.
- Surplus assigned amount may not be banked by Article 4 Parties when any members of the arrangement needs such assigned amount to meet its Article 3.1 commitment. Pursuant to Article 4.6 of the Protocol, any consequences for non-compliance with Article 3.1 apply to both the regional economic integration organization and any individual member state in non-compliance.
- In terms of mechanisms, 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 apply equally to Article 4.
- Any recommendations regarding domestic action apply to each individual member of an Article 4 agreement.
- In order to assess compliance with Protocol commitments, reporting requirements must apply to Article 4 Parties both collectively and as individual Parties.

SUBMISSION NO. 13: KENYA

**VIEWS ON THE INFORMAL NOTE BY THE PRESIDENT OF COP6**

The views given here are as per the president's note issued on 23 November, 2000 at 7.04pm.

On the whole, His Excellency the President Hon. Jan Prank, did an excellent job reducing the documents worked on by the negotiators to 13 pages.

However, we have some views and questions on the informal note as given below.

**BOX A CAPACITY BUILDING, TECHNOLOGY TRANSFER, IMPLEMENTATION OF ARTICLES 4.8/4.9; 3.14, FINANCE**

ADAPTATION FUND

- The IPCC has singled out Africa as being the most vulnerable to Climate Change. Not all countries in Africa belong to the group of SIDS or LDCs yet they are extremely vulnerable as has been exemplified by the losses these countries suffered in the last El-Nino event. These losses amounted to several years worth of economic growth and development. Therefore, a special consideration be made to those African countries that are vulnerable to climate change based upon experience of recent losses from climate variations including extreme events that are projected to be on the increase in a globally warm world.
- Noting that support to adaptation has been limited to preparations of National Communications under the UNFCCC, and that Annex II Parties have been extremely reluctant to provide support for the costs of adaptation, further noting that adaptation will require enormous resources, relying on the (low) revenue for adaptation produced by the CDM (especially if there are few projects) is very risky.

There has to be other more reliable sources and this has to be clearly spelt out.

CONVENTION FUND

This is supposed to be a new and additional funding being made available by Annex II, yet the sources of funding being mentioned do not reflect any additionality are left as:-

1. Third replenishment to the GEF

Could this be indicated as an increase in the 3<sup>rd</sup> replenishment? This is because the level of funding was determined before COP-6 and the funds have already been earmarked for certain activities that may not necessarily include those under discussion.

2. Voluntary Contribution by Annex II Parties

We cannot rely on voluntary contributions. This should be made mandatory as Parties have been known to proclaim their goodwill and yet not live up to those commitments.

3. Transfer of AAUs

This could be new but it is only limited to Article 17 and therefore tied to Kyoto Protocol coming into force. These funds could be very limited.

#### 4. ODA

This has been dwindling

#### GEF

The current decision making structure of the GEF does not respond to the issues at hand. The statement on how the GEF will manage the fund is a repetition of the position as it is now. There is need to modify the GEF procedures and project cycles so as to be more flexible and responsive to developing country needs. There should be a proposal on the improvement of the delivery system of the GEF.

#### RESOURCES

- There should be clarity on the statement “Parties have agreed to increase resources for Climate Change funding through other channels”.

Does this mean all Parties to the UNFCCC?

- Since CDM is being levied, Parties should also agree to apply a levy on article 6 and on article 17. These two are the only mechanism between Annex I Parties and therefore should be levied much more.

The levy on all these mechanisms have to be agreed on together. This would involve long protracted negotiations if left for later.

#### TECHNOLOGY TRANSFER

- Technology transfer of environmentally sound technologies and know-how to developing countries are essential requirements for developing countries to contribute to the ultimate objective of the convention.

Parties will recall the decision made at COP4 on a consultative process that was established by the Chairman of SBSTA. The process considered the list of issues that were contained in the Annex to the decision and recommendations were made by Parties at the regional workshops that have so far assisted in the development of a framework for meaningful and effective actions to enhance implementation of Article 4.5 of the Convention.

The first statement on this box A states that “Parties have reached an agreement on frameworks for technology transfer ..... measures”.

Therefore, there should be a link made to the framework, which will guide the activities under technology transfer.

- We support the establishment of an expert group based on equitable geographical representation to provide scientific and technical advice on the implementation of the commitments in Article 4.5.

The expert group should also advice on technology and technology needs assessments under the Convention including;

- Establishment of regional and national centers of Technology Information and Transfer

- The expert group should not just focus on the IPCC Special Report but also the work done under the UNFCCC on Technology Transfer to date, including submissions made by Parties.
- Cognisance should be made of recommendations made at the regional workshops (especially barriers as identified by Parties).
- Under the clearinghouse established, Annex II Parties shall take practical action to ensure the full implementation of Article 4.5 of the Convention. The progress on implementation shall be reported to the Conference of the Parties.
- As developing countries are at different stages of development, work on capacity building in this area should start at different levels covering technology needs assessment, human resources development, design installation etc. and demonstration projects.

### **BOX C - LAND-USE, LAND-USE CHANGE AND FORESTRY**

#### LULUCF UNDER THE CLEAN DEVELOPMENT MECHANISM

While Kenya does not dispute the environmental benefits that accrue from forestry projects, we do not support the inclusion of afforestation and reforestation projects under the CDM. Some of the reasons are as follows:-

- Curtailment of sustainable development rights
- Negative impacts on biodiversity
- Uncertainty and lack of permanence
- Political and social upheavals associated with land-use and land tenure
- Negative impacts on indigenous population
- Creation of loopholes for the meeting of the QELROS (and domestic action)
- Projects on LULUCF will not have any components on technology transfer, financial transfer nor capacity building. Consequently, these commitments that are stipulated in the Convention will not be fulfilled.

### **BOX D - POLICIES AND MEASURES, COMPLIANCE, ACCOUNTING REPORTING AND REVIEW**

#### **COMPLIANCE - DIFFERENTIATION BETWEEN PARTIES (IN PARTICULAR ANNEX 1 AND NON-ANNEX 1)**

Kenya believes that there should be differentiation between Annex 1 Parties and non-Annex 1 Parties in respect of the application of consequences by the facilitative branch. Stipulating that there be no differentiation that would negate the principle of common but differentiated responsibilities.

SUBMISSION NO. 14: LEBANON

*Editor's note: Below is the text of a letter received by the UNFCCC secretariat from Mr. Michael Moussa, Minister of Environment of Lebanon.*

Antelias, 15 January 2001

In reference to your letter dated December 5, 2000 regarding submission of views from Parties on the informal note by Mr. Pronk President of COP6 dated 23 November 2000 (Decision 1/CP.6), we would like to inform you that Lebanon fully supports the Amendments of G77 and China to Mr. Pronk's Note, hoping that consensus would be reached in the next resumed COP6 meeting and ensuring sustainable development for a better environmental future.

Yours sincerely,

Michael Moussa M.D.  
Minister of Environment



SUBMISSION NO. 15: NEW ZEALAND

*Australian and New Zealand comments upon note by the President of COP6*

**Additional activities and accounting under Article 3.4**

...

*First interval (full crediting up to level of 3.3 debit)*

- Parties recognise the unintended outcome of article 3.3, namely that countries who have an overall increase in their total forest carbon stock, may nevertheless have their assigned amounts reduced because of accounting and definitional conventions under article 3.3.
- Therefore, Parties decide that Parties may fully account for carbon stock changes and net GHG emissions in areas under forest management up to a level that is equal to the net debit incurred under the provisions of article 3.3, under the condition that the total forest carbon stock change since 1990 in that country compensates the net debit incurred under the provisions of article 3.3. This first interval shall not be more than 30 Mt CO<sub>2</sub> per year.
- Parties also recognise the unintended outcome under Article 3.3, in situations where Parties have created new fast growing forests after 1990 which are then harvested, those Parties would effectively lose assigned amount equivalent to the total carbon stock increase since 1990 when they had only received credit for the carbon stock increase since 2008.
- Therefore Parties decide that reductions in assigned amount resulting from harvesting, following forest establishment since 1990, shall not be greater than previously earned increases in assigned amount from carbon stock increases on that unit of land.

...

SUBMISSION NO. 16: NIGERIA  
(on behalf of the Group of 77 and China)

*G77/China Amendment to Mr. Pronk's note*

Attached is an amendment to the note by the President of COP-6, Mr. Pronk's guidance note. The attachment only addresses the issue raised by the note and does not reflect all issues which G77/China has stated positions. The G77/C issues are clearly stated in the negotiating documents of SB13 and in the statements of the Minister of Environment of Nigeria, the G77/C leader.

**G77/China Amendment to Mr. Pronk's note**

*Box A. Capacity building, technology transfer,  
Implementation of Articles 4.8/ 4.9; 3.14, finance*

**Funding mechanisms (and guidance to the GEF and guidance to the Executive Board)**

**(Guidance to the GEF, as an operating entity of the financial mechanism, is contained in doc. No. FCCC/SBI/2000/CRP. 16/Rev.1)**

Parties have reached general agreement on frameworks for technology transfer, capacity building, adaptation and impacts of response measures.

Adaptation fund

Parties decide to create a new fund under **the COP/MOP**: the adaptation fund. Guidance shall be given to the fund and special consideration will be given to the needs of the LDCs and SIDs.

- ❖ An adaptation fund **shall** be established under the **COP/MOP** as a trust fund.  
The implementation of concrete adaptation projects in non-Annex I Parties will be financed (stage III activities). **Finance will be generated by the share of proceeds on the CDM (90 % of 10% of the CERs generated by a project)**. Projects will be implemented by the UN specialized agencies. **[Annex II Parties will transfer [X] percent of their assigned amount to the registry of the fund. Annex I Parties can acquire these units, on the basis of Article 17, for the purpose of meeting their commitments of Article 3.1.] (moved)**.
- ❖ The CDM Executive Board *shall* manage the fund. The Board shall function under the guidance of, and be accountable to, **the COP/MOP**. Such guidance *shall* be given by COP/MOP on programs, priorities and eligibility criteria for funding of adaptation activities.
- ❖ *The following activities will be included in the category of adaptation activities, inter alia, , in the areas of water resources management ,prevention of deforestation, land management, agriculture, health , infrastructure development, ecosystems, integrated coastal zone management, combating land degradation and desertification, particularly in Africa, and sea-level rise.*
- ❖ **UN specialized agencies shall be the trustee of this fund.**

Special fund

Parties decide to create a new Special Fund for climate change activities under the trusteeship of a UN specialized agency, such as the UNEP. *The* guidance *shall* be given to the fund by the COP and special consideration will be given to the needs of the LDCs and SIDs.

- ❖ The Special Fund shall be a separate entity under the Convention.

- ❖ Under this *special fund*, new and additional funding *shall* be made available by Annex II Parties for activities in developing countries: technology transfer *of* and technical support *for environmentally sound technology*, capacity building *activities identified in the framework* (contained in doc. Nos. FCCC/SB/2000/CRP.16), assistance with economic diversification.
- ❖ Sources of funding *shall be new and additional* mandatory contributions by Annex II Parties
- ❖ The fund shall be managed under the guidance of the COP. The *special fund* shall function under the special guidance of, and be accountable to, the COP. This *shall* ensure more responsiveness to the needs and priorities and projects of developing countries. Ownership and “country-drivenness” in projects *shall* be enhanced.

### Resources

In addition to the Adaptation and the **Special Fund** Parties agree to increase resources for climate change funding, through other channels. They agree that the sum total of **new and additional financing to be provided by Annex II Parties on a grant or concessional basis** should reach the level of one billion US\$ on an annual basis, as soon as possible, but not later than in the year 2005. If the resources **referred above** in 2005 would be less than one billion US\$ **on an annual average basis between 2000 and 2005**, Parties agree to apply a levy on article 6 (Joint Implementation) and / or article 17 (emission trading) **to the extent of fully covering the balance of the unfulfilled commitment referred above.**

**The following criteria shall apply to all funds and funding mechanisms/entities under the Convention and the Protocol: new and additional resources, on a grant or concessional basis, adequacy, predictability, agreed full costs for Article 12.1 activities and agreed full incremental costs to other Article 4.1 activities.**

### Climate Resources Committee

Parties decide to establish *as a subsidiary body of the COP* a Climate Resources Committee at COP7, with the following mandate:

- ❖ **To review the sufficiency of financing and institutional arrangements for climate change**
- ❖ To give policy advice to existing financing channels and institutions such as the GEF, Regional Development banks, the World Bank, UNDP and other multilateral institutions. The advice will be focused on:
  - ❖ Increasing climate funding
  - ❖ Mainstreaming (**request clarification**)
  - ❖ Monitoring and assessment

### Capacity building

Parties decide to establish a framework to guide capacity building activities related to the implementation of the Convention and effective participation in the Kyoto Protocol, in order to assist non-Annex II Parties. (*See Draft Decisions FCCC/SB/2000/CRP.16 and FCCC/SB/2000/CRP.17*).

### Technology transfer

- ❖ **Parties decide to adopt [when finalized] the framework [Annex...] for meaningful and effective implementation of Article 4.5 of the Convention**
- ❖ Parties decide to establish an intergovernmental consultative group of technical and scientific experts on technology transfer under the SBSTA

The group will:

- Facilitate the exchange and review of information by creating an **information** clearing house and national, subregional, and regional technology transfer centers;
  - Evaluation, assessment, review and reporting of the progress of technology transfer in relation to article 4.5.
  - Advise SBSTA on further actions to be taken.
  - Focus on ways and means to address the barriers for technology transfer.
  - Be composed on the basis of **equitable geographical distribution based on existing UN groupings**.
- ❖ SBSTA will review the group's work on a regular basis, consider its advice and if necessary request the COP to take any further action, including inter alia programs and priorities for financing of activities.

### **Articles 4.8, 4.9 & 3.14:**

#### **I. General comment :**

The introduction of the paper on page 1 says that the paper addresses unresolved issues. Turning to the actual text, on pages 4 & 5 , it addresses some resolved issues and fails to address a number of unresolved issues.

The unresolved issues are:

1. Whether one or two decisions,
2. Use of mandatory language,
3. Linkages with Articles 5, 7 & 8.

Apart from the omission of the above unresolved issues, the paper addresses the following extraneous issues:

1. Avoidance of deforestation and land degradation (4<sup>th</sup> bullet under adverse effects of climate change),
2. Reference to "high energy carriers"(1<sup>st</sup> bullet under Article 3.14).

#### **II. Specific Text Proposals**

##### **Adverse Effects of Climate Change**

- ❖ Bullet 1: Replace "can" on the 1<sup>st</sup> line with "**may**"; on the 3<sup>rd</sup> line, after national communications, insert "**and/or**". This comment applies to all parts where there is a reference to national communications and other relevant information (under 4.8/4.9 Decision).
- ❖ Bullet 2: Delete the word "sufficient" . Add fragile mountains ecosystems.
- ❖ Bullet 3: Delete the part after the word "prevention" up to "climate change" and replace with "**in the context of**" .
- ❖ Bullet 4: This should be deleted since it constitutes an extraneous issue that was not part of the original agreed text\*.  
\*Subsequently reviewed by plenary for possible change.

##### **Actions to address impacts of response measures (Article 3.14)**

We are not in total agreement with the contents of this section and recommend the

following changes, understanding that the language should comply with the language of the Protocol:

1. Chapeau should read “**Each Annex 1 Party decides to report in their national communications and national inventory report**”;
2. Bullet 1 – Delete “the Efforts to limit” and replace with “**What actions they have taken to address the adverse**”; Delete the last part of Bullet 1 after (coal subsidies).
3. Insert the G77/China position as reflected in FCCC/SB/2000/CRP.18, sections A & B, pages 15 – 20. The G77/C position in sections A&B reads as follow:

## Section A

1. *Decides* that Annex I Parties shall provide information, as part of the necessary supplementary information to their annual inventory report, in accordance with the guidelines under Article 7.1 of the Kyoto Protocol, on their actions in striving, under Article 3.14 of the Kyoto Protocol, to implement their commitments mentioned in Article 3.1 of the Kyoto Protocol in such a way as to minimize adverse social, environmental and economic impacts on developing country Parties, particularly those identified in Article 4.8 and 4.9 of the Convention;
2. *Decides* that Annex II Parties shall provide assistance to non-Annex I Parties to enable them to provide information on their specific needs and concerns related to the adverse social, environmental and economic impacts that may arise from the implementation of commitments under Article 3.1 of the Kyoto Protocol;
3. *Decides* that Annex I Parties shall provide information , by [date], to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, through the secretariat, on their intended policies and measures, their impacts, and suggested ways to minimize these impacts;
4. *Decides* that Annex I Parties shall provide information, including the relevant information identified in the appendix to the guidelines for the preparation of information required under Article 7 of the Kyoto Protocol (FCCC/SBSTA/2000/CRP.17) [, by the time of COP/MOP 2], to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, in accordance with guidelines developed under Article 7 of the Kyoto Protocol through the secretariat, on their intended policies and measures, their impacts, and measures taken to minimize these impacts;
5. *Decides* that Annex I Parties shall provide information in their annual inventory report in accordance with guidelines developed under Article 7.1 of the Kyoto Protocol by [COP/MOP 2], to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol through the secretariat, on, *inter alia*, progress on their reduction and phasing out of existing market imperfections, fiscal incentives, tax and duty incentives and subsidies in their energy sector, and on their plans to reduce or phase out such distortions;
6. *Aware* that the consideration of actions under Article 3.14 to address the impact of the implementation of response measures must meet the specific needs and concerns of developing country Parties;

7. *Decides* to develop, by the time of COP/MOP 2, mandatory criteria to determine if Annex I Parties are in compliance with their commitments to minimize adverse effects, including the adverse effects of climate change, effects on international trade, and social, environmental and economic impacts on other Parties, especially developing country Parties, and in particular those identified in Article 4.8 and 4.9 of the Convention;
8. *Invites* the Intergovernmental Panel on Climate Change, in cooperation with other relevant organizations, to prepare a technical paper on geological carbon storage technologies, covering current information, and report on it for its consideration at its xx session;

## **Section B**

9. (Proposal by the Group of 77 and China, as amended by Saudi Arabia):  
*Decides*, by the time of COP/MOP 2, that Annex I Parties shall start to implement the actions listed below, and shall report, in their annual inventory report, on actions related to subparagraphs (a) to (c) below, and in their national communications on actions related to subparagraphs (d) and (e) below, in accordance with guidelines developed under Article 7:
  - a) Restructuring their tax systems to reflect the greenhouse gas content in all greenhouse gas emitting sectors, and removing subsidies;
  - b) Discouraging the production of fossil fuels in Annex I Parties, and concentrating on domestic actions that will not negatively impact their fossil fuel imports from developing country Parties;
  - c) Discouraging the use of environmentally unsafe and unsound technologies, in particular nuclear energy, by reflecting their huge externalities, and ensuring that existing nuclear energy plants are constantly monitored to guarantee optimal safety;
  - d) Removing the existing barriers (political and regulatory) to the use and import of oil, particularly in relation to the electricity sector;
  - e) Encouraging wider use of carbon dioxide emission reduction, and carbon capture and storage technologies;
10. (*Group of 77 and China proposal as amended by Saudi Arabia*):  
*Decides* that Annex II Parties shall start to implement the actions listed in subparagraphs (a) and (b) below, and shall report back in their annual inventory in accordance with guidelines developed under Article 7.1 on their minimization efforts, by the time of COP/MOP 2:
  - a) Assisting developing country Parties which are highly dependent on the export and consumption of fossil fuels in diversifying their economies;
  - b) Providing prompt, adequate and just compensation to developing country Parties adversely impacted by the implementation of response measures by Annex I Parties;

- 11 *Encourages* Annex-I Parties to adopt policies and measures that will result in reductions in emissions of greenhouse gases, as a contribution to minimizing the adverse effects of climate change, and to provide information on these policies and measures in their national communications;
- 12 *Decides*, on the basis of the output of the workshops referred to in this decision, and in accordance with Article 3.14 of the Kyoto Protocol, and the relevant provisions of the Convention, to take actions related to compensation, funding, insurance and technology transfer, for proven adverse impacts of response measures on developing country Parties;

#### **Actions to address impacts of response measures (Article 4.8)**

- ❖ Bullet 1 – Replace “will” with “**shall**”; and in the third line, delete “energy” and in the 4<sup>th</sup> line, replace “production” with **activities**
- ❖ Bullet 2 – delete entire bullet and replace with the agreed language in paragraph 11, page 8 in document FCCC/SB/2000/CRP.18. Which reads,  
*“Encourages non-Annex 1 Parties to provide information in their national communications and/or other relevant reports on their specific needs and concerns arising from the impact of the implementation of response measures.”*

#### **Specific Needs of LDCs, including the Small Island Developing States – SIDS amongst them (Article 4.9)**

1. Amend the title to read “*Specific Needs of LDCs, including Small Island Developing States SIDS, amongst them (Article 4.9)*”;
2. Include the Institutional Development Fund as contained in document FCCC/SB/2000/CRP.18.
3. Include new paragraph reading: Develop expedited and streamlined procedures to provide funding to LDCs on a priority basis to: (a) Support and Promote the effective implementation by them of the capacity-building framework annexed in COP6 Decision XX, and to (b) assist them in overcoming their institutional limitations which impede their effective ability to address and cope with the impact of climate change and support their activities identified in paragraph XX of COP 6 Decision XX.

#### ***Box B. Mechanisms***

#### **COP/MOP <-> Executive Board**

##### **A. Composition of the Executive Board of the CDM**

- ❖ Parties agree that the composition of the Executive Board is an essential element in ensuring integrity, credibility and efficient operationalisation of the system. The balance in the Executive Board will be in accordance with current UNFCCC practices (equitable geographical representation of the five UN regional groupings, taking into account the interest groups as reflected by the current practice in the UNFCCC Bureau).
- ❖ Equal numbers of members from each of the five UN regional groups, plus one representative from the group of small island developing States (**21members**).
- ❖ Executive Board members shall make every effort to reach agreement on any proposed decision by consensus. Any decision shall as a last resort be adopted by a three-fourths majority vote of the members present and voting at the meeting.

B. Decision-making power of the COP/MOP vis-à-vis the Executive Board

- ❖ The Executive Board shall be subject to the authority and guidance of, and be accountable to, the COP/MOP.

C. Institutions for a prompt start for the CDM

- ❖ Parties decide that a prompt start for the CDM will be operationalised by electing the Executive Board will be elected at the next session of the **COP**.
- ❖ The Executive Board will be served by the UNFCCC secretariat.
- ❖ Appropriate resources **shall** be made available for the prompt start of the CDM.

Eligibility of project activities under the CDM

**Regarding bullet no. 2, i.e., reference to nuclear facilities, there is no group position; a number of country Parties position is that nuclear projects should not be excluded from the CDM. The position of these Parties is that the reference to nuclear projects must be deleted.**

- ❖ Parties recognize that it is up to the **host developing country** Party's discretion to judge whether a project activity is in line with its national strategy on sustainable development.
- ❖ Annex I Parties will declare that they will refrain from using nuclear facilities for generating certified emission reductions under the CDM.
- ❖ The Executive Board shall define and implement an expedited procedure for small scale projects which contribute to the sustainable development of non-Annex I Parties and to the ultimate objective of the Convention.
  - ~~Parties decide that because of their contribution to the ultimate objective of the convention and to sustainable development, the following activities should be given priority and will have expedited consideration within the rules, modalities and procedures of the CDM:~~
  - ~~renewable energy (inter alia small scale hydro)~~
  - ❖ energy efficiency improvements
- ❖ Under the guidance and approval of COP/MOP, the Executive Board shall further develop rules and modalities for the operationalisation of this decision.
- ❖ Public funding of a CDM project should be additional to ODA and other financial commitments.

Supplementarity

- ❖ Annex I Parties shall meet their emission commitments primarily through domestic action since 1990. 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 Article 6, 12 & 17 collectively shall not exceed 9 per cent of its assigned amount pursuant to their quantified emission limitation and reduction commitments as inscribed in Annex B.  
~~Compliance with principle will be assessed by the facilitative branch of the compliance committee on the basis of qualitative and quantified information, reported in national communications and reviewed under Article 8. The facilitative branch shall advise on how to ensure the effective implementation of this provision. A first assessment should be reported to the fourth national communications of Annex I Parties due in 2005.~~



### **Trading modalities and liability**

- ❖ Parties agree that Article 17 provides opportunities for Parties to fulfill their commitments in a cost-effective way. Parties also recognize that reporting, review and a strong and enforceable compliance regime are not sufficient to prevent Parties from **overtransferring**, thereby potentially endangering the environmental integrity of the system.
- ❖ **Eligibility shall be demonstrated by transferring and acquiring Parties before trading. Parties must demonstrate compliance of their Articles 5 & 7 commitments.**
- ❖ Parties therefore decide that Annex B Parties shall retain a portion of their assigned amounts in their national registries specific to that commitment period. This portion shall be 98 percent of their assigned amounts or the portion determined on the basis of projected or recent emissions.
- ❖ After the annual review of each Party's emissions data, the **part** of assigned amount that must be retained shall be recalculated and, if necessary, adjusted.
- ❖ **A share of the proceeds based on transactions under Article 17 to assist developing country Parties that are particularly vulnerable, as listed in Article 4.8 of the Convention to meet the costs of adaptation.**

### **Fungibility**

- ❖ Parties should protect the climate system for the benefit of present and future generations of human kind, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities. Accordingly, the developed country Parties should take the lead in combating climate change and the adverse effects thereof. Parties affirm that in their actions to achieve the purpose of the mechanisms, Parties shall be guided by Article 2 of the Convention and the principles contained in Article 3 of the Convention.
- ❖ Parties note 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 developments needs, **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 action with a view to reducing per capita inequities in emissions between developed and developing country Parties.**
- ❖ Parties recognize that the Kyoto Protocol has not created or bestowed - on Parties included in Annex I to the Convention and in Annex B to the Protocol - any right, title or entitlement.
- ❖ Parties note that emissions reduction units (under 'joint implementation "') and parts of an assigned amount (under emissions trading) could be added to, or subtracted from, the assigned amount of a Party, **without altering any Party's assigned amount.** Parties agree that certified emissions reduction units (CDM) could be added to the assigned amount of a Party and could be used for the purpose of contributing to compliance with the quantified emission limitation and reduction commitments in Article 3 without altering that Party's assigned amount pursuant to its commitments inscribed in Annex B.

### **Promotion of geographic distribution of CDM projects**

- ❖ Parties agree that there should be opportunities for all Parties to participate in the CDM and decide that an equitable distribution of CDM projects will be fostered. Therefore standardized baselines, which are based on an appropriate Annex I average, may be used for small-scale projects (<XMw) and renewable energy projects (<XMw) The Executive Board is asked to elaborate on and make recommendations on preferential treatment of these specific project types.
- ❖ Parties decide to foster LDC participation in the CDM by giving special attention to institutional capacity building for LDCs.

- ❖ CDM projects in LDCs shall be exempt from the share of proceeds for adaptation.

### **Procedures for “joint implementation”**

- ❖ Parties note that “joint implementation” takes place among Annex I Parties with greenhouse gas emission limitation and reduction commitments. **Eligibility criteria shall be demonstrated. Compliance with Articles 5 & 7 shall be demonstrated by both acquiring and transferring Parties before acquisitions and transfers. Projects under Article 6 shall follow the same rigorous procedure as provided for under the CDM procedures.**
- ❖ A share of the proceeds shall be applied to Article 6 to assist developing country Parties that are particularly vulnerable, as listed in Article 4.8 of the Convention to meet the costs of adaptation.

### ***Box C. Land-use, Land-use change and forestry***

#### **Definitions for afforestation, reforestation and deforestation under article 3.3**

(new introduction) Parties decide that LULUCF activities will be based on the following principles:

(a) Any land-use, land-use change and forestry activity carried out in addition to the commitments made under Article 4.1(d) of the Convention for the purposes of determining compliance of Annex I Parties with their quantitative emission limitation and reduction objectives under the Kyoto Protocol, must not change the global effect of the Kyoto Protocol, which is to mitigate climate change in the first commitment period equivalent to reducing Annex I anthropogenic emissions by sources covered by Annex A to the Kyoto Protocol by an aggregate proportion of at least 5 per cent with reference to their 1990 levels, in accordance with Article 3.1 of the Kyoto Protocol;

(b) For the purposes of determining compliance of Annex I Parties with their quantitative emission limitation and reduction objectives, any land-use, land-use change and forestry activity must not result in an increase of anthropogenic emissions by sources minus removals by sinks deriving from the application of removals by sinks of carbon dioxide, indirect nitrogen fertilization effects and dynamic age structures;

(c) In view of the impact of climate change on forests and desertification, forest conservation and rehabilitation of degraded vegetation cover are potential climate change adaptation activities, and as such could be included among those activities to benefit from the share of proceeds of the mechanisms of the Protocol intended to meet the cost of adaptation. This is without prejudice to decisions on land-use, land-use change and forestry activities in the mechanisms of the Kyoto Protocol;

(d) The rules for the inclusion of land-use, land-use change and forestry activities in the accounting of Annex I countries, for purposes of compliance with their commitments under the Kyoto Protocol, must not imply a transfer of such commitments to a future commitment period;

(e) Carbon removed by land-use, land-use change and forestry activities shall be considered as a temporary removal. Any Annex I Party that makes use of such removal to achieve compliance with its Kyoto Protocol commitment shall continue to be responsible for any subsequent emissions;

(f) In the methodologies to account for emissions by sources and removals by sinks in the land-use, land-use change and forestry sector, no consideration shall be given to the simple presence of stocks of carbon, in line with the provisions of Article 5.2 of the Kyoto Protocol,

*New preamble:* COP recommends to COP/MOP the following decisions:

### **Definitions for afforestation, reforestation and deforestation under article 3.3**

*1st paragraph:* Delete second sentence

*2nd paragraph:* Parties decide to establish a process to investigate the ~~feasibility of applying~~ inclusion of biome-specific definitions for future commitment periods.

### **Additional activities and accounting under Article 3.4**

*Option 1:* Strongly held view to oppose any work on 3.4 for first commitment period due to the fact that the Article 3.4 of the Kyoto Protocol refers to the application of these activities in the second commitment period.

*Option 2:* Revise text by:

#### *Eligible activities:*

*1st paragraph:* Parties decide to establish a process under SBSTA to develop a comprehensive set of definitions for the following activities: grazing land management, cropland management and forest management (~~delete reference to broadly based land management activities~~) and revegetation/ vegetation degradation (*new*).

*2nd paragraph (new):* Parties will also decide to establish a process under SBSTA to assess aspects of associated with scale, uncertainties and risk associated with the above-listed activities.

#### ***Accounting***

*Second paragraph:* Therefore Parties decide that the contribution of additional activities under article 3.4, towards meeting a Party's target in the first commitment period shall be limited to 3% 1% of the Party's base year emissions"

*Second interval first paragraph:* Parties decide that carbon stock changes accounted for in accordance with the provisions of article 3.4 shall, for the broadly defined management activities exclude the effects of :

*Second paragraph:* Therefore, Parties shall apply a reduction of 30% of the ~~net carbon stock changes and net GHG emissions removals~~ that result from additional cropland and grazing land management activities and of 85% to the ~~net carbon stock changes and net GHG emissions removals~~ that result from additional forest management.

### ***Additional activities under Article 3.4 in the second and consecutive commitment periods***

*First paragraph:* Parties decide that the CoP/MOP shall, prior in parallel to the fixing of emission commitment periods, review the list of agreed additional activities for use in second ~~and subsequent commitment~~ periods, together with the rules, modalities and guidelines for the accounting.

### ***Implementation of Article 3.7***

*Second paragraph:* Parties to decide that eligibility to make use of this provision will be determined on the basis of a reviewed national inventory review by Expert Review Team as established under Article 8.

### ***LULUCF under the Clean Development Mechanism***

*Second sentence of the first paragraph:* (No agreed position)

*Second paragraph, second sentence:* However, these activities will be labeled as priority potential projects to be funded under the adaptation fund in order to address drought, desertification and watershed protection, forest conservation, restoration of native forest ecosystems, restoration of salinised soils.

*Fourth paragraph:* Parties therefore decide to establish a process under the SBSTA at its fifteenth session to develop rules and modalities taking into account further methodological work by the IPCC, ~~where necessary~~, to deal with these issues.

*Fifth paragraph (new):* No afforestation and reforestation activities will be eligible under the CDM until the SBSTA and the IPCC have completed their methodological work described in paragraph 3 and have made recommendations in this regard.

*Sixth paragraph (new):* No afforestation and reforestation activities will be eligible under the CDM if they result in the destruction of natural forests or the loss of biological diversity.

❖ Seventh paragraph (new): No more than 10% of CERs validated, will come from LULUCF activities..

❖

### **Additional activities and accounting under Article 3.4**

#### Eligible activities:

- Parties decide that a Party may include the following activities: grazing land management, cropland management and forest management (broadly defined land management activities), revegetation (narrowly defined activity).

#### Accounting:

- ❖ Parties recognize that the scale of the activities applied could lead to major modifications in the effort for Parties to meet the article 3 commitments.
- ❖ Therefore Parties decide that the contribution of additional activities under article 3.4, towards meeting a Party's target in the first commitment period shall be limited to 3 % of the Party's base year emissions.
- ❖ In addition Parties decide that accounting for additional activities shall take place in two distinguished intervals:

#### *First interval (full crediting up to level of 3.3 debit)*

- Parties recognize the unintended outcome of article 3.3, namely that countries who have an overall increase in their total forest carbon stock, may nevertheless have their assigned amounts reduced because of accounting and definitional conventions under article 3.3.
- Therefore, Parties decide that Parties may fully account for carbon stock changes and net GHG emissions in areas under forest management up to a level that is equal to the net debit incurred under the provisions of article 3.3, under the condition that the total forest carbon stock change since 1990 in that country compensates the net debit incurred under the provisions of article 3.3. This first interval shall not be more than 30 Mt CO<sub>2</sub> .

#### *Second interval (discounted crediting in remaining interval to factor out non-direct human induced effects and to address uncertainty)*

- Parties decide that carbon stock changes accounted for in accordance with the provisions of article 3.4 shall, for the broadly defined management activities, exclude the effects of
  - indirect nitrogen deposition,
  - elevated CO<sub>2</sub> concentrations,
  - other indirect effects and,

- (for forest ecosystems) the dynamic effects of age structure resulting from management activities before 1990
- Therefore, Parties shall apply a reduction of 30% to the net carbon stock changes and net GHG emissions that result from additional cropland and grazing land management activities and of 85% to the net carbon stock changes and net GHG emissions that result from additional forest management.

#### **Additional activities under Article 3.4 in the second and consecutive commitment periods**

- Parties decide that the CoP/moP shall, prior to the fixing of emission commitments for subsequent commitment periods, review the list of agreed additional activities for use in second and subsequent commitment periods, together with the rules, modalities and guidelines for their accounting.
- ❖ Parties further decide that accounting of carbon stock changes and net GHG emissions shall be limited to direct human induced changes on carbon stocks and net GHG emissions. Parties therefore establish a process to periodically review the approach taken with respect to factoring out, taking into account methodological work by the IPCC on this matter.

#### **Implementation of Article 3.7**

- Parties note that, for those Parties for whom land-use change and forestry constituted a net source in 1990, emissions and removals resulting from land-use change should be included in the 1990 emissions base year in accordance with the provisions of Article 3.7.
- ❖ Parties decide that eligibility to make use of this provision will be determined on the basis of a reviewed national inventory

#### **LULUCF under the Clean Development Mechanism**

- ❖ Parties agree that LULUCF activities can contribute to the two-fold purpose of the CDM. Parties therefore decide to include afforestation and reforestation under the CDM. However they also recognize the special concerns, which arise from implementing these projects.
- ❖ Parties decide that activities, preventing deforestation and land degradation, will not be eligible as credit generating projects under the CDM. However, these activities will be labeled as priority projects to be funded under the adaptation fund in order to address drought, desertification and watershed protection, forest conservation, restoration of native forest ecosystems, restoration of salinised soils.
- ❖ Parties recognize that accounting modalities and definitions for Article 3.3 may need to be modified, and that the issues of non-permanence, social and environmental effects, leakage, additionality and uncertainty should be properly addressed. LULUCF projects would also need to be in conformity with the objectives of other multilateral environmental agreements.
- ❖ Parties therefore decide to establish a process under the SBSTA to develop rules and modalities taking into account further methodological work by IPCC, where necessary, to deal with these issues.

#### ***Box D. Policies and Measures, Compliance, Accounting, Reporting and Review***

**The whole paragraph below is replaced by the draft decision on “Good Practices” in policies and measures among Parties included in Annex I to the Convention**

## Policies and measures

- ❖ Parties decide to continue exchange of information on Policies and Measures.
- ❖ Parties decide to invite submissions by Annex I Parties on the meaning of demonstrable progress and the need for guidelines for reporting on this progress (Article 3.2 of the Kyoto Protocol) for SBSTA 14, with a view to have a further consideration at CoP-7.

Add the following **GENERAL NOTE**:

**The parties agree that the basis of negotiation is the text contained in document FCCC/2000/CRP.15/Rev 2**

## Compliance: consequences of non-compliance with Article 3.1

Add:

**Parties agreed that where the enforcement branch has determined that an Annex I Party is not in compliance with Article 3.1, it shall suspend the eligibility of that Party to participate under Article 6, [12] and 17**

- ❖ Parties decide that consequences for non-compliance with Article 3.1 should be agreed in advance and should not be subject to the discretion of the enforcement branch.
- ❖ Parties recognize that subtraction of excess emissions from a party's assigned amount for the subsequent commitment period against a penalty rate guarantees environmental integrity, provided that the adoption and the entry into force of the emission commitments for subsequent commitment periods are timely.
- ❖ Parties **agreed** that penalty rates will be an essential element of the compliance system. Although they will partly serve as an interest rate for the delays in the achievement of emission commitments, they should also be an incentive to comply and they should, therefore, be set at a relatively high level.

**NOTE:**

**The acceptance of a consequence of the subtraction of excess emissions from a Party's assigned amount for the subsequent commitment period is directly linked with the acceptance of the consequence of making a financial contribution in a compliance fund to be established. In the absence of such a financial contribution into a compliance fund, the penalty rates to be applied must be adjusted to a much higher level.**

- ❖ Parties decide that emission commitments for the second commitment period should be adopted before the beginning of the first commitment period.
- ❖ Parties decide that, if a Party has been determined as being in non compliance with its commitments under Article 3.1, the enforcement branch **shall** apply the following consequences **in combination**:
  - Subtraction of excess emissions from the assigned amount of the subsequent commitment period.
  - Penalty rate should be set at **2** [1.5] and be increased by **0.50** [0.25] **per year for as long as that Party is in non compliance as well as in relation to the amount with which the Party concerned has exceeded its target** [after the subsequent commitment period if the Party concerned is not in compliance at the end of the subsequent commitment period.]
  - Parties concerned shall after determination of non compliance, develop and submit to the enforcement branch for its approval a compliance action plan setting out **inter alia** how they

propose to meet their commitments in the subsequent commitment period.

**Compliance: differentiation between Parties (in particular Annex I and non-Annex I)**

- ❖ Parties decide that the mandate of the enforcement branch **shall** [will] be limited to obligations [that are incumbent on] **of Annex I Parties only**.
- ❖ There will be no eligibility requirements for non-Annex I Parties in respect of their participation in the CDM. [, recognizing that only Parties can participate in the CDM that have ratified the Kyoto Protocol and meet commitments under Article 12 of the Convention taking into account the availability of financial resources.]

**NOTE: The eligibility criteria should be the same as those that have been agreed to under the CDM discussions. No discrepancies shall be allowed.**

- ❖ There will be no differentiation between Annex I Parties and non-Annex I Parties in respect of the application of consequences by the facilitative branch.

**NOTE: This is unacceptable. The differentiation between Annex I and Non Annex I should be maintained as this is a reflection of the operationalisation of the principle of common but differentiate responsibilities. Not all the consequences that have been proposed can apply to Non-Annex I Parties in the same manner as it applies to Annex I Parties. Some of the consequences are not appropriate. For example it is proposed as a consequence that the facilitative branch can refer a case to the enforcement branch. This is totally inappropriate where non-Annex I Parties are concerned.**

**The concerns of the countries with economies in transition can be met without changing the structure of a differentiation between Annex I and Non-Annex I Parties as far as the kind of consequences that the facilitative branch can apply to them.**

**Compliance: relationship between the COP/MOP and the Compliance Committee**

**Add the following:**

**Parties agreed that the Compliance Committee shall report to the COP/moP**

- ❖ Parties decide that the role of the COP/MOP should be [limited] to **give** general policy guidance to the Compliance Committee and that it should not intervene in individual cases.
- ❖ Parties decide that there is no need for an appeals procedure.

**NOTE: We can accept that no appeal is needed if the procedure proposed by the G77 and China with regard to the expert review teams reports is accepted. This procedures entail that a small panel of the COP/moP consisting of 6 members will consider the reports of the Expert review teams in a manner that will not hamper the effective and efficient functioning of the Compliance Committee. The reasoning for this panel includes the fact that it is in line with the provisions of Article 8(3) of the Protocol and will provide the necessary political overview that is lacking where experts that act in their personal capacity are involved. In the present case there will be experts acting independently in the expert review teams as well as in the Compliance Committee.**

**Mandates enforcement branch and facilitative branch**

**NOTE: The position proposed here is not in line with the Group of 77 and China position. We have proposed that non-compliance with Article 5, 7 and 3.14 should also be dealt with**

**under the enforcement branch.**

- ❖ Parties decide that the mandate of the enforcement branch covers quantitative emission commitments, eligibility requirements under Articles 6, 12 (only Annex I Parties) and 17.
- ❖ All other cases of non-compliance fall within the mandate of the facilitative branch, including Articles 2.3, 3.14, [5.1, 7.1, 7.2,]\* 10 and 11, taking into account the character of commitments for Annex I and Non Annex I Parties.

**NOTE: Compliance with the provisions in Article 5 and 7 that is bracketed is directly related to the eligibility criteria to be dealt with by the enforcement branch. The mandate of the branches must be clearly defined and this contradiction must be addressed.**

- ❖ The facilitative branch shall be responsible for providing advice, facilitation to parties in implementing the Kyoto Protocol and promoting compliance of Parties with their commitments under the Protocol, **taking into account the principle of common but differentiated responsibilities and capabilities of Parties included in Annex I and Parties not included in Annex I.**

**Compliance: composition of the Compliance Committee**

- ❖ Parties decide to establish a Compliance Committee, which shall function through a **plenary and** two branches namely a facilitative branch and an enforcement branch.

**Add:**

**The Parties agreed that the Committee will have two co-chairpersons, one from Annex I Parties and the other from Non-Annex I Parties and the chairmanship of each branch will rotate between the Parties in such a manner that the co-chairs will never be only from one group of Parties.**

**The Parties agreed that the Committee will have a plenary that will perform certain functions in such a manner that it will not hamper the efficient functioning of the branches. The plenary will perform specific functions as outlined in paragraph 13 (c) to (h) of document CRP15/Rev 2. The plenary will also allocate questions to the appropriate branches.**

*Facilitative branch*

- ❖ Parties decide that the balance in the facilitative branch will be in accordance with current UNFCCC practices (equitable geographical representation of the five UN regional groups, taking into account interest groups as reflected by the current practice in the UNFCCC Bureau).
- ❖ Equal numbers of members from each of the five UN regional groups, plus one representative from the group of small island developing States.
- ❖ The facilitative branch shall consist of 11 members.
- ❖ Facilitative branch members shall make every effort to reach agreement on any proposed decision by consensus. Any decision shall, as a last resort, be adopted by a three-fourths majority vote of the members present and voting at the meeting.

*Enforcement branch*

- ❖ Parties decide that the balance in the enforcement branch will be in accordance with current UNFCCC practices (equitable geographical representation of the five UN regional groupings, taking into account the interest groups as reflected by the current practice in the UNFCCC Bureau).



- ❖ Equal numbers of members from each of the five UN regional groups, plus one representative from the group of small island developing States.
- ❖ The enforcement branch shall consist of 11 members.
- ❖ Enforcement branch members shall make every effort to reach agreement on any proposed decision by consensus. Any decision shall as a last resort be adopted by a:
  - Three-fourths majority vote of the members present and voting at the meeting
  - Double majority (majority as a whole and in annex I and non annex I).**NOTE: There was no agreement on this. A double majority voting rule is unacceptable as it would make the effective decision making of the branch almost impossible and will in effect give a veto right to Annex I and Non-Annex I Parties which is not in the interest of the effective functioning of the Committee.**

**Compliance: Legal basis, the form of adoption of the final result on compliance**

**NOTE: The mode of adoption is directly linked with the kind of consequences that will be adopted. The Group strongly support the adoption of legally binding consequences. In terms of Article 18 of the Protocol this will necessitate an amendment of the Protocol. The Group does not have a common position on the format of or on how the amendment should be effected. The Group did identify certain principles that should apply to any kind of amendment as follows:**

**The amendment should form an integral part of the Protocol;**

**It shall be restricted to adopting the procedures and mechanisms on compliance and to bringing it into force**

**It shall bind all Parties that have ratified the Kyoto Protocol**

**It shall already apply to the first commitment period**

- ❖ Parties decide that the adoption of the compliance system, including binding consequences, should be legally based on:
  - An agreement supplementing the Kyoto Protocol prior to its entry into force.

SUBMISSION NO. 17: NORWAY

*Editor's note: Below is the text of a letter received by the UNFCCC secretariat from Mr. Håvard Toresen, Deputy Director General, Royal Ministry of Environment of Norway.*

We refer to the invitation in Decision 1/CP. 6 to submit views on the 23 November informal note by the President issued during the sixth session of the UNFCCC Conference of the Parties (COP 6) in the Hague.

As Norway expressed during the meeting in the Hague, we find that the President's note is a sound and balanced basis for arriving at the political solutions that are necessary for an agreement on the legal texts. Since our comments are of a nature that can be raised during negotiating sessions, we will not submit detailed proposals for amendments at this point. We welcome, however, an opportunity for providing comments, as appropriate, on a revised note at a later stage.

Yours sincerely,

Håvard Toresen  
Deputy Director General

SUBMISSION NO. 18: POLAND  
(on behalf of the Central Group 11)

**CG11 submission in follow-up to decision 1/CP6**

The group wishes to reiterate its position presented during the consultation in The Hague as well as in its written submission of 24 November 2000.

The group is of the opinion that the consensus and balance decision package should be based on the following underlying principles:

- the decisions should precise the provisions of the Protocol, and not change or broaden them.
- the decisions must not impose new commitments
- the procedures and solutions to various questions should ensure the achievement of the fundamental objective of the Kyoto Protocol, in particular, the overall reduction of greenhouse gas emissions by Annex I Parties, and in this way contribute to the protection of the global climate
- the decisions should enable the ratification of the Protocol by all Parties.

**A.** Therefore, CG11 proposes the following amendments to the Note by the President of COP6, dated 23 November 2000.

1. We welcome the provisions on establishment of the adaptation and convention funds. We are satisfied with the provisions that financing for adaptation fund will be generated by the levy on CDM projects.

However, further clarification is required both in terms of sources and the mechanism for funding capacity building and transfer of technology for Annex I Parties with economies in transition in Convention Fund.

Proposed amendment:

- Page 2, section Convention Fund, in second bullet in last-but-one line insert after "available for" the following words: "technology transfer and"

2. We strongly object to any extension of the levy on Article 6 and/or Article 17 activities. Imposing a levy would mean renegotiating of the principal provisions of the Protocol. Annex I Parties, which are not included in Annex II, did not commit themselves to provide financial support to other countries.

**- Page 3, first box, section resources, first line insert after "Convention Fund" the following words: "Annex II". The whole sentence will read: "In addition to the Adaptation Fund and the Convention Fund Annex II Parties agree to increase resources for climate change funding, through other channels."**

**- In the same section delete the last sentence beginning with "If resources..."**

3. We wish to have an explicit reference to the provisions of Art. 4.5 of the Convention, according to which the economies in transition are also eligible for technology transfer.

- Page 3, third box, first bullet, insert after technology transfer "according to the provisions of Article 4.5 of the Convention". The sentence would read: "Parties decide to establish under SBSTA an intergovernmental consultative group of technical and scientific experts on technology transfer according to the provisions of Article 4.5 of the Convention"

4. We are concerned about the reporting requirements on the impact of the response measures taken to

address climate change in Annex I Parties. We object including these requirements in the mandate of Compliance Committee.

- Page 4, second box, in first line replace "decide" with "may"

- The same box, in first bullet - delete two last lines (everything after "climate change" in second line) and in second bullet delete first sentence, so it would read: "Annex I Parties and other Parties in a position to do so may report in their national communications on the efforts to limit the adverse social, environmental and economic impact of the policies and measures they have adopted or are planning with the aim of addressing climate change."

#### 5. Composition of the Executive Board

We do have problems with the composition of the Executive Board of the CDM. The UN regional grouping arrangement is not appropriate for this body.

- Page 6, Box B, section COP/MOP, A. Composition of the Executive Board delete second and third bullet and insert the following:

"Half of the members of the Executive Board shall represent Parties included in Annex I and half of the members shall represent Parties not included in Annex I, with equitable geographic distribution of the relevant regional groups in the respective groups of Annex I and non-Annex I Parties. The Executive Board shall elect a chairman and a vice-chairman. One of them shall represent Annex I Parties and the other non-Annex I Parties. The chairmanship shall rotate between Annex I and non - Annex I Parties annually."

#### 6. Nuclear in project based mechanisms

We find that the proposed language on the exclusion of nuclear facilities from the project-based mechanisms is not sufficient. We need a clear provision in this respect.

- Page 6, box with section on eligibility of projects, second bullet - replace with: "Annex I Parties decide not to use nuclear facilities for generating certified emission reduction units under CDM."

7. We need clear stipulation that use of ERUs, AAUs and CERs will not alter the basis for future commitment periods. We find the package language on the concept of assigned amount vague and not concrete. In our opinion the basis for the negotiations of the commitments in the next periods should be the same as for the Kyoto Protocol that means the base year emissions. Any acquisitions or transfers of parts of assigned amount, certified emission reduction units or emission reduction units can be used to meet Parties commitments under Art. 3.1 but do not influence the base year emissions, so the basis for any future emission reduction and limitation commitments.

- Page 8, first box, section Fungibility - remove second bullet as irrelevant in this paper. The issue was already acknowledged in decision 1/CP.1. Delete first sentence in third bullet and replace it with the following:

"The basis for the negotiations of the commitments in the next periods should be the same as for the Kyoto Protocol, that is the emissions in the base year. Any acquisitions or transfers of parts of assigned amount, certified emission reduction units or emission reduction unit do not influence the base year emissions, so the basis for negotiations of commitments in subsequent periods."

- The same box, in forth bullet delete the text after "Article 3"

8. Procedures for "joint implementation". CG11 accepts the proposal in the President's Note. We support the position of Annex I Parties as reflected in FCCC/SB/2000/CRP.19 and in

FCCC/CP/2000/CRP.1, usually as option A, and we propose the change in the text of the Note of President, which, in our opinion, better reflects the content of the draft guidelines for implementation of Article 6.

- Page 8, last box:

Delete the text after "they" in the last but one line and add the following: "should ensure independent verification of projects by a third party."

We propose to add the language on non-eligibility of nuclear projects.

- Add as second bullet:

"Annex I Parties decide not to use nuclear facilities for generating emission reduction units under Article 6."

9. We are deeply concerned about diluting environmental integrity of the Protocol through the inclusion of number of activities under article 3.4 already in the first commitment period. In our reading there are clear and strict preconditions in this contexts as stipulated in Art. 3.4, namely the COP/MOP shall at its first session or as soon as practicable thereafter, decide upon the relevant modalities, rules and guidelines

#### 10. Box C. Land-use, Land-use change and forestry

##### LULUCF under CDM

We are concerned about the inclusion of LULUCF activities under CDM as this is clearly against the provisions in the Protocol. Article 12 provides that project activities shall result in emission reduction and only such emission reductions shall be certified and may be used by Annex I Parties to contribute to compliance with their commitments under Article 3.

- Page 11, third box, delete text under the title and replace it with:

"LULUCF activities are not eligible under Article 12."

As article 6 provides for transfer and acquisition of emission reduction units resulting from projects aimed at enhancing anthropogenic removals by sinks, the work should be undertaken in order to develop methodology ensuring environmental integrity of such projects.

We propose to add as new box: "LULUCF under Article 6" and the following text in the box:

- "Parties also recognise the special concern, which arise from implementing LULUCF activities within the framework of Article 6. Parties decide to establish a process under the SBSTA to develop modalities, rules and guidelines taking into account further methodological work by IPCC, where necessary, to deal with these issues."

#### 11. Compliance

There is a need to specify how the facilitative branch in the Compliance Committee will assess the implementation of the provision that Annex I Parties should meet their emission reduction commitments primarily through domestic actions.

We disagree with the proposal concerning membership of the Compliance Committee and in particular of its enforcement branch. We agree that parties have common but differentiated responsibilities. Annex I Parties, Parties with binding emission-related commitments, have to be represented in a different manner in those bodies than Parties without such binding commitments. There is no reason for representation based on geographical regions, as those commitments were not agreed according to geographical location of Parties.

- Page 13, third box: in second bullet delete 2.3 and 3.14

- Page 14, first box, second section : Facilitative branch - delete three first bullets and replace with:  
“- Parties decide that the facilitative branch will consist of equal numbers of members representing Parties included in Annex I and Parties not included in Annex I, with equitable geographical distribution of the relevant regional groups in the respective groups of Parties.

- The facilitative branch shall constitute of 10 members.”

The same box, section enforcement branch - delete first three bullets and replace them with the following:

“- The members of the enforcement branch shall represent Annex I Parties, with equitable geographical distribution of the relevant regional groups.

- The enforcement branch shall consist of 5 members.”

## **B.**

12. CG11 submits draft of annex B mentioned in FCCC/SB/2000/CRP.19 paragraph 25 and 26 and in FCCC/CP/2000/CRP.1 paragraph 26 and 27:

### Appendix B

#### Baselines

1. Short description of the project, its location, purpose, actors
2. Technical description of the project
3. Impact of the project beyond its boundaries
4. Description of the baseline chosen calculation methodology
5. Key parameters affecting future development of the project baseline
6. Proposed crediting period
7. Estimated operational life-time of the project
8. Data sources to be used to calculate baseline emissions (data, variables, parameters)
9. Historical emission for the activity
10. Projection of baseline emissions and emission reductions over the period of the operational life of the project
11. Uncertainties, strengths and weaknesses of the chosen methodology
12. Data
13. Conclusions on the proposed baseline methodology

The reporting by Parties on Article 6 projects shall include, for each project:

1. Description of the project activity
2. Monitoring plan for estimating emissions
3. The baseline, as agreed by the Parties involved including the methodology and justification for the additionality of the project
4. Estimation of real emissions [or removal by sinks]
5. The calculation of the reductions in greenhouse gases emissions by sources [or the enhancements of removals by sinks for the year]
6. Information on approval by the Parties involved

## **C.**

13. CG11 would like to offer an additional comment on document FCCC/CP/2000/CRP.7.

CG11 underlines the importance of inclusion of Annex I Parties with economy in transition to all key themes and areas for meaningful and effective actions on technology transfer. For this purpose unified terminology for recipient countries should be applied in the whole text. We propose to use the

terminology used in paragraph 7 of the Annex: “Parties not included in Annex II, particularly developing countries”.

SUBMISSION NO. 19: QATAR

A general note on the informal note by the President dated 23/11/2000 (1/CP. 6) :

During negotiations sessions of Buenos Aires Plan of action, the role of natural gas was recognized by negotiators of developed and developing parties as a partner to the solution of global climate change. The delegate of the State of Qatar would like to see this position reflected in the negotiating texts in future sessions.



SUBMISSION NO. 20: REPUBLIC OF KOREA

**Republic of Korea's Comments on the Informal Note by the President of COP6 dated 23 November 2000**

***BOX A. Capacity building, technology transfer, Implementation of Articles 4.8/ 4.9, finance***

**Funding mechanisms and guidance to the GEF**

Adaptation fund

1. Replace the first sentence of the 3rd bullet by:

*"The CDM Executive Board will provide guidance to the management of the fund. The operation of the fund will be handled by the GEF in cooperation with the CDM Executive Board."*

**Technology transfer**

1. Add the following text after the 4th arrow of the 2nd bullet:

*"Promote bilateral and multilateral program for demonstration project of technology transfer"*

**Actions to address impacts of response measures (Article 3.14)**

1. Delete the following words from the 1st line of the chapeau:

*"and other Parties in a position to do so"*

***BOX B. Mechanisms***

**COP/MOP < - >Executive Board**

A. Composition of the Executive Board of the CDM

1. Change the number of the Executive Board members in the 3rd bullet from "16" to "21", and add "on a rotational basis" after "from each of the five UN regional groups"
2. Make a new sub-section after sub-section on composition of the Executive Board:  
"A-1. Attendance to the meeting of the Executive Board"  
 *The Executive Board meeting will be open to the Parties to the Kyoto Protocol."*

C. Institutions for a prompt start for the CDM

1. Replace "at the next session of the subsidiary bodies" in the first bullet by "at the next session of the COP"
2. Add the following text to the 1st bullet:  
*"The crunch issues related to the modalities and procedures for the CDM should be resolved and adopted at the resumed session of COP6."*

**Eligibility of project activities under the CDM**

1. Delete the following text of the 2nd bullet :  
*"Annex I Parties will declare that they will refrain from using nuclear facilities for generating certified emission reductions under the CDM."*

### **Supplementarity**

1. Add the following sentence after the 1st sentence of the 1st bullet :  
*"The use of the mechanisms under Article 6, 12 and 17 shall not exceed reductions achieved through domestic actions."*

### **Trading modalities and liability**

1. Replace the 2nd bullet by:  
*"Each Annex B Party shall not make a transfer that would reduce the total holdings of assigned amount in their national registry, specific to that commitment period, below : (a) 98 percent of its initial assigned amount; (b) 105 percent of five times its most recently reviewed emissions inventory; or (c) 105 percent of projections based on reviewed emissions data over the most recent last five years, whichever is the lowest."*

### **Fungibility**

1. Page 8, Section on Fungibility, 2nd bullet  
- Insert the following after "per capita emissions ": *"and historical accumulation"*
2. Insert into the 5th bullet :  
*"Parties decide that emission reduction units, certified emissions reductions and parts of assigned amount may be exchanged according to the rules and procedures to be established by the COP/MOP"*

### ***BOX C. Land-use, Land-use change and forestry***

#### **Definitions for afforestation, reforestation and deforestation under article 3.3**

1. Insert after the 1st sentence of 3rd bullet :  
*"Afforestation and reforestation include also the promotion of natural regeneration."*
2. Delete the 2nd sentence of 3rd bullet beginning with :  
*"According to the IPCC Special Report,...."*

#### **Additional activities and accounting under Article 3.4**

1. Replace the title "Additional activities and accounting under Article 3.4" by :  
*"Additional activities under Article 3.4 and accounting under Article 3.3 and 3.4"*
2. Change sub-section titles as follows :  
*"Eligible additional activities under article 3.4" and "Accounting under article 3.3 and 3.4"*

#### **Accounting under article 3.3 and 3.4**

1. Replace the 2nd bullet by :  
*"Therefore Parties decide that total greenhouse gas removals by sinks from activities under article 3.3 and 3.4, towards meeting a Party's target in the first commitment period shall be limited to 2% of the Party's base year emissions".*
2. Insert into the 1st arrow of First interval :  
*".....in their total forest carbon stock in areas under article 3.3 and 3.4, may nevertheless ...."*

3. Insert into the 2nd arrow of First interval :

*"...the total forest carbon stock change in areas under article 3.3 and 3.4 since 1990...."*

4. Replace the 1st arrow of Second interval by :

*"Parties decide that carbon stock changes accounted for in accordance with the provisions of article 3.3 and 3.4 shall exclude the effects of*

- indirect nitrogen deposition,
- elevated CO<sub>2</sub> concentrations,
- other indirect effects.

*In addition, carbon stock changes accounted for in accordance with the provision of article 3.4 shall exclude the effects of (for forest ecosystem) the dynamic effects of age structure resulting from management activities before 1990."*

5. Replace the 2nd arrow of Second interval by :

*"Therefore, Parties shall apply a reduction of X % to the net carbon stock changes and net GHG emissions that result from afforestation, reforestation and deforestation activities, of 30% to the net carbon stock changes and net GHG emissions that result from additional cropland and grazing land management activities and of 85% to the net carbon stock changes and net GHG emissions that result from additional forest management."*

### **LULUCF under the Clean Development Mechanism**

1. Insert the following text after the 1st bullet :

*"No afforestation and reforestation activities will be eligible under the CDM if they result in the destruction of natural forests, natural grasslands and wetlands or the loss of biological diversity."*

### **BOX D. Policies and Measures, Compliance, Accounting, Reporting and Review**

#### **Compliance : consequences of non-compliance with Article 3.1**

1. Change the penalty rate at the 2nd arrow of the 5th bullet from 1.5 to 2.

2. Add the following text as a new bullet after the 5th bullet :

*"Parties note that the enforcement branch may consider the introduction of the Compliance Fund or financial penalties for a Party to return to compliance with its commitment under article 3.1."*

#### **Mandates enforcement branch and facilitative branch**

1. Add the following text at the end of the 1st bullet :

*"institutional and reporting requirements under Articles 5 and 7."*

2. Delete the following reference from the 2nd bullet :

*"Articles 5.1, 7.1, 7.2"*

#### **Compliance: composition of the Compliance Committee**

1. Add the following text after the 1st sentence of the 1st bullet :

*"The plenary of the Compliance Committee, which will be open-ended, will allocate questions to the appropriate branches." [The End]*

SUBMISSION NO. 21: RUSSIAN FEDERATION

**The Russian Federation Proposals and Amendments to the Note by the President of COP6<sup>\*/</sup>**

***Box A. Capacity building, technology transfer,  
Implementation of Articles 4.8/4.9; 3.14, finance***

**Funding mechanisms and guidance to the GEF**

Parties have reached general agreement on frameworks for technology transfer, capacity building, adaptation and impacts of response measures.

Adaptation fund

Parties decide to create a new fund under the GEF: the adaptation fund. Separate guidance will be given to the fund and special consideration will be given to the needs of the LDCs and SIDs.

- An adaptation fund will be established under the GEF as a trust fund.
- The implementation of concrete adaptation projects in non-Annex I Parties will be financed (stage III activities). Finance will be generated by the share of proceeds on the CDM (2 % of the CERs generated by a project). Projects will be implemented by the UN implementing agencies
- The CDM Executive Board will manage the fund. The Board shall function under the guidance of, and be accountable to, the COP/MOP. Such guidance will be given by COP/MOP on programs, priorities and eligibility criteria for funding of adaptation activities.
- The following activities will be included in the category of adaptation activities: avoidance of deforestation, combating land degradation and desertification.

Convention fund

Parties decide to create a new window under the GEF: a Convention fund. Separate guidance will be given to the fund and special consideration will be given to the needs of the LDCs and SIDs.

- The Convention fund will be a special window under the GEF
- Under this window, new and additional funding will be made available by Annex II Parties for activities in **Сторонах, не входящих в Приложение II (non-Annex II Parties)**, **developing countries**: technology transfer and technical support, capacity building related to climate change, specific CDM capacity building, national programmes containing mitigation measures, assistance with economic diversification. ~~New and additional funding will also be made available for capacity building in Annex I Parties with economies in transition.~~
- Sources of funding will be:
  1. ~~third~~ **дополнения** replenishment(s) to the GEF
  2. voluntary contributions by Annex II Parties
  3. Annex II Parties will transfer [X] percent of their ~~initial~~ assigned amount to the registry of the fund. Annex I Parties can acquire these units, on the basis of Article 17, for the purpose of meeting their commitments of Article 3.1.
  4. ODA
- The existing GEF council will manage the fund. The fund shall function under special guidance of, and be accountable to, the COP. This will ensure that the GEF becomes more responsive to the

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<sup>\*/</sup> Изъятия из первоначального текста определены зачеркиванием с выделением, а дополнения или изменения - жирным курсивом с подчеркиванием на русском и в скобках - неофициальный перевод - на английском языках (Withdrawals out of the initial text have been crossed out and highlighted, and additions or amendments - made in bold italics with underlining in Russian and informal translation in English within brackets.

needs and priorities of developing countries и стран с переходной экономикой (and countries with economies in transition). Ownership and country-drivenness" in GEF projects will be enhanced. The scope of activities funded by the GEF will also be broadened. GEF procedures and policies will be streamlined.

### Resources

In addition to the Adaptation and the Convention Fund (Annex II) Parties Приложения II agree to increase resources for climate change funding, through other channels. They agree that the sum total should reach the level of one billion US\$ on an annual basis, as soon as possible, but not later than in the year 2005. If resources in 2005 would be less than one billion US\$, (Annex II) Parties Приложения II agree to apply a levy on article 6 (Joint Implementation) and / or article 17 (emission trading).

### Climate Resources Committee

Parties decide to establish a Climate Resources Committee at COP7, with the following mandate:

- To give policy advice to existing Financing channels and institutions such as the GEF, Regional Development banks, the World Bank, UNDP and other multilateral institutions. The advice will be focused on:
  - Increasing climate funding
  - Mainstreaming
  - Monitoring and assessment
  -

### Capacity building

Parties decide to establish a framework to guide capacity building activities related to the implementation of the Convention and effective participation in the Kyoto Protocol, in order to assist развивающимся странам и странам с переходной экономикой (developing countries and countries with economies in transition). ~~non-Annex II Parties.~~ (See Draft Decisions FCCC/SB/2000/CRP. 16 and FCCC/SB/2000/CRP.17).

### Technology transfer

- Parties decide to establish an intergovernmental consultative group of technical and scientific experts on technology transfer under the SBSTA
- The group will:
  - Facilitate the exchange and review of information by creating a clearing house and regional technology information centers;
  - Advise SBSTA on further actions to be taken.
  - Focus on ways and means to address the barriers for technology transfer as identified in the IPCC special report on technology transfer
  - Be composed on the basis of equal geographical distribution
- SBSTA will review the group's work on a regular basis, consider its advice and if necessary request the COP to take any further action, including inter alia programs and priorities for financing of activities.

### Adverse effects of climate change

Actions to be taken by Annex II Parties include:

- Pilot or demonstration projects to show how adaptation planning and assessment can be practically

translated into projects and integrated into national policy and sustainable development planning. Non-Annex I Party national communications, other relevant sources and the staged approach endorsed by the COP will serve as a basis.

- Adaptation projects, when sufficient information is available to warrant such activities, inter alia, in the areas of water resources management, land management, agriculture, health, infrastructure development, ecosystems, and integrated coastal zone management
- Improved monitoring of diseases and disease control and prevention for Parties affected by climate change
- Avoidance of deforestation and prevention of land degradation, insofar as these activities are related to climate change
- Strengthening and establishing national and regional centers and information networks for rapid response to extreme weather events, utilizing information technology as much as possible

#### **Actions to address impacts of response measures (Article 3.14)**

Annex I Parties and other Parties in a position to do so decide to report in their national communications on:

- The efforts to limit the adverse social, environmental and economic impacts of the policies and measures they have adopted or are planning with the aim of addressing climate change, such as: reducing or phasing out market distorting instruments (e.g. coal subsidies) and reducing or phasing out the use of high emission energy carriers
- The national communications will be reviewed under the Kyoto Protocol (Article 8). A certain degree of flexibility shall be allowed to Parties included in Annex I undergoing the process of transition to a market economy.

#### **Actions to address impacts of response measures (Article 4.8)**

- Annex II Parties will assist non-Annex I Parties adversely affected by response measures through concrete actions based on further methodological work in the field of technology transfer, capacity building, economic diversification, increasing energy efficiency in fossil fuel production, advanced fossil fuel technologies (including carbon capture and storage)
- Developing country Parties will report on their specific needs and concerns arising from the implementation of response measures, effectively implementing the guidelines for national communications

#### **Specific needs of the least developed countries (LDCs, including SIDS)**

- A separate work programme will be established for LDCs to be financed by the GEF, focusing on:
  - Early launch of vulnerability and adaptation needs assessments, including capacity building and technical assistance
  - Development of national adaptation programmes of action
  - Priority for implementation of concrete adaptation projects. Disaster relief, avoidance of deforestation and prevention of land degradation may be included.
  - Establishment of an LDC group of experts to assist in *реализацию (implementation of)* national adaptation programmes of action
- To encourage a greater flow of CDM projects to the LDCs, CDM projects in LDCs will be exempt from the share of proceeds for adaptation. The implementation of 'small scale CDM projects' will also be promoted

## ***Box B. Mechanisms***

### **COP/MOP <-> Executive Board**

#### ***A. Composition of the Executive Board of the CDM***

- Parties agree that the composition of the Executive Board is an essential element in ensuring integrity, credibility and efficient operationalisation of the system. Parties therefore decide on a balanced approach in composition and voting procedures.
- The balance in the Executive Board will be in accordance with current UNFCCC practices ~~(equitable geographical representation of the five UN regional groupings, taking into account the interest groups as reflected by the current practice in the UNFCCC Bureau).~~
- Equal numbers of members from Сторон, включенных в Приложение I, и от Сторон, не включенных в Приложение I (Annex I Parties and non-Annex I Parties) each of the five UN regional groups, plus one representative from the group of small island developing States (16 members).
- Executive Board members shall make every effort to reach agreement on any proposed decision by consensus. Any decision shall as a last resort be adopted by a three-fourths majority vote of the members present and voting at the meeting.

#### ***B. Decision-making power of the COP/MOP vis-a-vis the Executive Board***

- The Executive Board shall be subject to the authority and guidance of, and be accountable to, the COP/MOP.

#### ***C. Institutions for a prompt start for the CDM***

- Parties decide that a prompt start for the CDM will be operationalised by electing the Executive Board и одновременно с одобрением КС принципов, условий, процедур и руководящих указаний по Статье 6 и Статье 17 (and simultaneously with the adoption of principals, modalities, procedures and guidelines under Article 6 and Article 17 by CoP). will be elected at the next session of the subsidiary bodies.
- The Executive Board will be served by the UNFCCC secretariat.
- Appropriate resources are will be made available for the prompt start of the CDM.

### **Eligibility of project activities under the CDM**

- Parties recognize that it is up to the Party's discretion to judge whether a project activity is in line with its national strategy on sustainable development.
- Annex I Parties will declare that they will refrain from using nuclear facilities for generating certified emission reductions under the CDM, если не будут удовлетворены самые высокие требования по безопасности как принимающими, так и инвестирующими Сторонами (unless the highest safety demands have not been satisfied both the host Parties and investing Parties).
- Parties decide that because of their contribution to the ultimate objective of the convention and to sustainable development, the following activities should be given priority and will have expedited consideration within the rules, modalities and procedures of the CDM:
  - renewable energy (inter alia small scale hydro)
  - energy efficiency improvements
- Under the guidance of COP/MOP, the Executive Board shall further develop rules and modalities for the operationalisation of this decision.

### **Supplementarity**

Annex I Parties shall meet their emission commitments ***в значительной степени (to a significant degree) primarily*** through domestic action since 1990 ***, включая каждого индивидуального члена соглашений по Статье 4. Осуществление этих принципов будет представляться в национальных сообщениях и проверяться в рамках Статьи 8 (including everyone individual member of Article 4 arrangements. Implementation of these principles will be reported in the national communications and reviewed under Article 8).*** Compliance with this principle will be assessed by the facilitative branch of the compliance committee on the basis of qualitative and quantified information, reported in national communications and reviewed under Article 8. The facilitative branch shall advise on how to ensure the effective implementation of this provision. A first assessment should be reported in the fourth national communications of Annex I Parties due in 2005.

### **Trading modalities and liability**

- Parties agree that Article 17 provides opportunities for Parties to fulfill their commitments in a cost-effective way. Parties also recognize that reporting, review and a strong and enforceable compliance regime are not sufficient to prevent Parties from overselling, thereby potentially endangering the environmental integrity of the system.
- Parties therefore decide that Annex B Parties shall retain a portion of their assigned amounts in their national registries specific to that commitment period. This portion shall be 70 percent of their assigned amounts or the portion determined on the basis of projected or recent emissions.
- After the annual review of each Party's emissions data, the portion of assigned amount that must be retained shall be recalculated and, if necessary, adjusted.

### **Fungibility**

- Parties should protect the climate system for the benefit of present and future generations of human kind, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities. Accordingly, the developed country Parties should take the lead in combating climate change and the adverse effects thereof. Parties affirm that in their actions to achieve the purpose of the mechanisms. Parties shall be guided by Article 2 of the Convention and the principles contained in Article 3 of the Convention.
- Parties note 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 developments needs.
- Parties recognize that the Kyoto Protocol has not created or bestowed - on Parties included in Annex I to the Convention and in Annex B to the Protocol - any right, title or entitlement to emissions of any kind in the pursuance of Articles 3, 6, 12, 17 of the Kyoto Protocol which affects the consideration or decision-making on subsequent commitments. Parties recognize that the consideration of such commitments should be based on equitable criteria, common but differentiated responsibilities and respective capabilities.
- Parties note that emissions reduction units (under "joint implementation") and parts of an assigned amount (under emissions trading) could be added to, or subtracted from, the assigned amount of a Party. Parties agree that certified emissions reduction units (CDM) could be added to the assigned amount of a Party and could be used for the purpose of contributing to compliance with the quantified emission limitation and reduction commitments in Article 3 without altering that Party's assigned amount pursuant to its commitments inscribed in Annex B.
- Parties decide that emission reduction units and parts of assigned amount" may be exchanged according to the rules and procedures to be established by the COP/MOP.



### **Promotion of geographic distribution of CDM projects**

- Parties agree that there should be opportunities for all Parties to participate in the CDM and decide that an equitable distribution of CDM projects will be fostered. Therefore standardized baselines, which are based on an appropriate Annex I average, may be used for small-scale projects (<XMw) and renewable energy projects (<XMw) The Executive Board is asked to elaborate on and make recommendations on preferential treatment of these specific project types.
- Parties decide to foster LDC participation in the CDM by:
  - Special attention will be paid to institutional capacity building for LDCs;
  - CDM projects in LDCs will be exempt from the share of proceeds for adaptation;
  - Public funding of a CDM project should be additional to current ODA.

### **Procedures for "joint implementation"**

- Parties note that "joint implementation" takes place among Annex I Parties with greenhouse gas emission limitation and reduction commitments. Therefore, Parties decide that there is no need for stringent procedures on verification if Parties meet the reporting requirements. Parties note that if Parties do not meet these requirements, they should follow the same rigorous процедурам проверки аналогичным процедурам МЧР, но признавая соответствующие различия, которые отражают тот факт, что Стороны совместного осуществления имеют обязательства (verification procedures analogues to the CDM procedures but recognizing appropriate differences those reflect the fact that Parties to "joint implementation" have commitments). procedure as provided for under the CDM procedures.

### ***Box C Land-use, Land-use change and forestry***

#### **Definitions for afforestation, reforestation and deforestation under article 3.3**

- Parties agree that for the implementation of Article 3.3, "forest" is defined in accordance with the FAO definition. Parties recognize that there should be certain flexibility in applying the FAO values in order to reflect national circumstances.
- Parties decide to establish a process to investigate the feasibility of applying biome-specific forest definitions for future commitment periods
- Parties decide that for defining afforestation, reforestation and deforestation the set of IPCC definitions shall be applied. According to the IPCC Special Report, this set of definitions delivers an accounting system that is closest to the actual exchange between lands brought under the system and the atmosphere.

**Стороны решают, что для определения облесения, лесовосстановления и облесивания МГЭИК должна разработать ряд соответствующих определений и методик учета изменений углеродного стока и антропогенных эмиссий парниковых газов источниками и их удаления поглотителями, происходящими в результате землепользования, изменений в землепользовании и лесном хозяйстве в рамках Статей 3.3 и 3.4 Киотского протокола. Определения и методики расчета должны быть разработаны на основе Специального отчета МГЭИК и Пересмотренных Рекомендаций МГЭИК 1996 г. по подготовке Национальных сообщений инвентаризации парниковых газов. Отчет по руководству по хорошей практике и неопределенностям в управлении должен быть разработан впоследствии, чтобы привлечь во внимание проверку, расчеты и оценки неопределенностей в изменениях углеродных стоков, имеющим отношение к деятельности в землепользовании, изменениям в землепользовании и лесном хозяйстве в рамках Статьи 3 Киотского протокола. (Parties decide that for defining afforestation, reforestation and deforestation the IPCC should elaborate a number of appropriate definitions and methods to account for changes in carbon stocks and anthropogenic greenhouse gas**

*emissions by sources and removals by sinks resulting from land-use, land-use change and forestry activities under Article 3.3 and 3.4 of the Kyoto Protocol. The definitions and accounting methods should be elaborated on the basis of the IPCC Special Report and Revised 1996 IPCC Guidelines for National Greenhouse Gas Inventories. The report on good practice guidance and uncertainty management should be developed afterwards to address the verification, estimation, and assessment of uncertainties in the changes in carbon stocks relevant to land-use, land-use change and forestry activities within the Article 3 of the Kyoto Protocol).*

#### Additional activities and accounting under Article 3.4

##### Eligible activities:

- Parties decide that a Party may include the following activities: grazing land management, cropland management and forest management (broadly defined land management activities), revegetation (narrowly defined activity).

##### Accounting:

- Parties recognize that the scale of the activities applied could lead to major modifications in the effort for Parties to meet the article 3 commitments.
- Therefore Parties decide that the contribution of additional activities under article 3.4, towards meeting a Party's target in the first commitment period shall be limited to 3 % of the Party's base year emissions.
- In addition Parties decide that accounting for additional activities shall take place in two distinguished intervals:

##### *First interval (full crediting up to level of 3.3 debit)*

- Parties recognize the unintended outcome of article 3.3, namely that countries who have an overall increase in their total forest carbon stock, may nevertheless have their assigned amounts reduced because of accounting and definitional conventions under article 3.3.
- Therefore, Parties decide that Parties may fully account for carbon stock changes and net GHG emissions in areas under forest management up to a level that is equal to the net debit incurred under the provisions of article 3.3, under the condition that the total forest carbon stock change since 1990 in that country compensates the net debit incurred under the provisions of article 3.3. This first interval shall not be more than 30 Mt CO<sub>2</sub>

##### *Second interval (discounted crediting in remaining interval to factor out non-direct human induced effects and to address uncertainty)*

- Parties decide that carbon stock changes accounted for in accordance with the provisions of article 3.4 shall, for the broadly defined management activities, *не будут исключать (not exclude) exclude* the effects of
  - indirect nitrogen deposition,
  - elevated CO<sub>2</sub> concentrations,
  - other indirect effects and,
  - (for forest ecosystems) the dynamic effects of age structure resulting from management activities before 1990

*В соответствии с положениями, приведенными выше, Стороны будут применять 3 % снижение к чистой величине углеродного стока и чистым выбросам ПГ, которые являются следствием дополнительной деятельности по управлению лесами, сельскохозяйственными угодьями и пастбищами, которые уже вошли в выбросы и накопители Стороны за базовый год ( In accordance with provisions given above, the Parties shall apply a reduction of 3% to the net carbon stock changes and net GHG emissions that result from additional forest, cropland, grazing lands management activities that have already been accounted in the Party's base year emissions and removals).*

- Therefore, Parties shall apply a reduction of 30% to the net carbon stock changes and net GHG emissions that result from additional cropland and grazing land management activities and of 85% to the net carbon stock changes and net GHG emissions that result from additional forest management.

### **Additional activities under Article 3.4 in the second and consecutive commitment periods**

- Parties decide that the CoP/moP shall, prior to the fixing of emission commitments for subsequent commitment periods, review the list of agreed additional activities for use in second and subsequent commitment periods, together with the rules, modalities and guidelines for their accounting.
- Parties further decide that accounting of carbon stock changes and net GHG emissions shall be limited to direct human induced changes on carbon stocks and net GHG emissions. Parties therefore establish a process to periodically review the approach taken with respect to factoring out, taking into account methodological work by the IPCC on this matter.

### **Implementation of Article 3.7**

- Parties note that, for those Parties for whom land-use change and forestry constituted a net source in 1990, emissions and removals resulting from land-use change should be included in the 1990 emissions base year in accordance with the provisions of Article 3.7.
- Parties decide that eligibility to make use of this provision will be determined on the basis of a reviewed national inventory

### **LULUCF under the Clean Development Mechanism**

- Parties agree that LULUCF activities can contribute to the two-fold purpose of the CDM. Parties therefore decide to include afforestation and reforestation under the CDM. ~~However they also recognize the special concerns, which arise from implementing these projects.~~ **Однако, юридическая основа для включения стоков в МЧР остается нерешенным вопросом, потому что согласно Статье 3.4, проекты по LULUCF могут осуществляться только между Сторонами, которые имеют разрешенный объем выбросов. Это определяет Статью 3.4 несовместимой со Статьей 6, когда одной из сотрудничающих Сторон является Сторона, не входящая в Приложение 1. Поэтому Стороны решают не включать облесение и лесовосстановление в МЧР до тех пор, пока не разрешится правовая проблема вопроса (However, the legal base for inclusion of sinks in the CDM remains undefined matter, because according to the Article 3.4, the LULUCF projects can be implemented only between the Parties that have assigned emission amounts. That makes Article 3.4 inconsistent with Articles 6 when there is a Party among collaborative ones which is non-Annex I Party. Therefore, Parties decide not to include afforestation and reforestation under the CDM until the legal problems of the issue are resolved).**
- Parties decide that activities, preventing deforestation and land degradation, will not be eligible as credit generating projects under the CDM. However, these activities will be labeled as priority projects to be funded under the adaptation fund in order to address drought, desertification and watershed protection, forest conservation, restoration of native forest ecosystems, restoration of salinised soils.
- Parties recognize that accounting modalities and definitions for Article 3.3 may need to be modified, and that the issues of non-permanence, social and environmental effects, leakage, additionality and uncertainty should be properly addressed. LULUCF projects would also need to be in conformity with the objectives of other multilateral environmental agreements.
- Parties therefore decide to establish a process under the SBSTA to develop rules and modalities taking into account further methodological work by IPCC, where necessary, to deal with these issues.

*Box D. Policies and Measures, Compliance,  
Accounting, Reporting and Review*

**Policies and measures**

- Parties decide to continue exchange of information on Policies and Measures.
- Parties decide to invite submissions by Annex I Parties on the meaning of demonstrable progress and the need for guidelines for reporting on this progress (Article 3.2 of the Kyoto Protocol) for SBSTA 14, with a view to have a further consideration at CoP-7.

**Compliance: consequences of non-compliance with Article 3.1**

- Parties decide that consequences for non-compliance with Article 3.1 should be agreed in advance and should not be subject to the discretion of the enforcement branch.
- Parties recognize that subtraction of excess emissions from a party's assigned amount for the subsequent commitment period against a penalty rate guarantees environmental integrity, provided that the adoption and the entry into force of the emission commitments for subsequent commitment periods are timely.
- Parties note that penalty rates will be an essential element of the compliance system. Although they will partly serve as an interest rate for the delays in the achievement of emission commitments, they should also be an incentive to comply and they should, therefore, be set at a relatively high level.

*Стороны отмечают, что штрафные ставки могут служить одним из инструментов, стимулирующих выполнение Сторонами своих количественных обязательств по выбросам ПГ или возвращение к статусу соблюдения в случае нарушения этих обязательств. При этом, применение этого инструмента должно учитывать все обстоятельства, в том числе социально-экономическую ситуацию в не соблюдающих Сторонах с тем, чтобы уровень штрафных ставок способствовал восстановлению ими статуса соблюдения, а не усугублял трудность положения (Parties note that penalty rates may serve as one of the instruments to incentive the implementation by the Parties of their quantified GHG emission commitments or return back to the compliance regime in the case of violation of their commitments. However, application of this instrument should take into account all circumstances, including social and economic situation in the Parties being in non-compliance in order to provide a level of the penalty rates which could facilitate the restoration of their compliance status, and do not increase difficulties of the situation).*

- Parties decide that emission commitments for the second commitment period should be adopted before the beginning of the first commitment period.
- Parties decide that, if a Party has been determined as being in non compliance with its commitments under Article 3.1, *и возможности использования поощрительных мер исчерпаны (and possibilities of facilitative measures have been exhausted)*, the enforcement branch should apply the following consequences:
  - Subtraction of excess emissions from the assigned amount of the subsequent commitment period.
  - Penalty rate should be set at 1.5 and be increased by 0.25 after the subsequent commitment period if the Party concerned is not in compliance at the end of the subsequent commitment period.

*Штрафные ставки для Сторон, не соблюдающих обязательства в текущий период, на следующий период выполнения обязательств и прогрессивные штрафные ставки на период, идущий за следующим периодом обязательств, если Стороны, которых это касается, будут в состоянии несоблюдения в конце следующего периода, должны устанавливаться в соответствии с разработанной методикой их определения (Penalty rates should be set for the*

subsequent commitment period to the Parties being in non-compliance with their obligations in the current commitment period and progressive penalty rates - for the period following after the subsequent commitment period, if the Parties concerned are not in compliance at the end of the subsequent commitment period, in accordance with a developed method of their determination).

- Parties concerned shall after determination of non-compliance, develop and submit to the enforcement branch for its approval a compliance action plan setting out how they propose to meet their commitments in the subsequent commitment period.  
Заинтересованные Стороны после определения их статуса несоблюдения должны разработать планы действий, устанавливающие каким образом и в какие сроки указанные Стороны предполагают удовлетворить требования по выполнению своих обязательств в следующем периоде обязательств. Комитет по осуществлению может высказать свои рекомендации по оптимизации мер и мероприятий, содержащихся в планах. (Parties concerned shall after determination of non compliance, develop compliance action plans setting out how and in what terms these Parties propose to meet their commitments in the subsequent commitment period. The Compliance Committee can make its recommendations on the optimization of measures and activity containing in the plans).

#### **Compliance: differentiation between Parties (in particular Annex I and non-Annex 1)**

- Parties decide that the mandate of the enforcement branch will be limited to obligations that are incumbent on Annex I Parties.
- There will be no eligibility requirements for non-Annex I Parties in respect of their participation in the CDM, recognizing that only Parties can participate in the CDM that have ratified the Kyoto Protocol and meet commitments under Article 12 of the Convention taking into account the availability of financial resources.
- There will be no differentiation between Annex I Parties and non-Annex I Parties in respect of the application of consequences by the facilitative branch.
- Комитет по соблюдению будет учитывать гибкость, предоставляемую странам, находящимся в состоянии перехода к рыночной экономике, согласно Статье 4.6 РКИК и Статье 3.6 Киотского протокола. К Сторонам Приложения I из числа стран с переходной экономикой в первый период обязательств будут применяться только поощрительные меры в рамках содействующей ветви процедуры соблюдения. При этом, страны с переходной экономикой будут иметь доступ к финансово-техническому содействию, имея в виду, что это не будет наносить какого-либо ущерба для пунктов 3-5 и 7 Статьи 4 Конвенции (The Compliance Committee will take into account a certain degree of flexibility allowed to the countries undergoing the process of transition to a market economy in accordance with Article 4.6 of the UNFCCC and Article 3.6 of the Kyoto Protocol. Only facilitative measures within the facilitative branch of the compliance procedure will be applied to the Annex I Parties, undergoing the process of transition to a market economy, in the first commitment period. For all this the countries undergoing the process of transition to a market economy will have an access to any kind of financial and technical assistance taking into account that it won't render any prejudice or damage to the paragraphs 3-5, and 7 of Article 4 of the Convention).

#### **Compliance: relationship between the COP/MOP and the Compliance Committee**

- Parties decide that the role of the COP/MOP should be limited to giving general policy guidance to the Compliance Committee and that it should not intervene in individual cases.

Стороны решают, что роль КС/СС должна в основном быть ограничена определением общего политического руководства Комитетом по соблюдению. Однако, в случае подачи какой-либо Стороной апелляции на решение Комитета по соблюдению, КС/СС должны рассмотреть данный конкретный случай и вынести окончательное решение. (Parties decide that the role of the COP/MOP should mainly be limited to giving general policy guidance to the Compliance Committee. However, COP/MOP should consider a specific individual matter and adopt the final decision in case of appeal by any Party concerned onto the Compliance Committee decision).

- Любая Сторона имеет право на подачу в отношении решений принудительной ветви апелляции КС/СС с представлением соответствующих обоснований и информации. (Any Party should have a right to appeal to COP/MOP in the attitude of the enforcement branch decision with submission of relevant substantiations and information).
- Parties decide that there is no need for an appeals procedure.
- Комитет по соблюдению должен принимать во внимание любую степень гибкости, разрешаемую КС/СС в соответствии со Статьей 3.6 Протокола и Статьей 4.6 Конвенции, для Сторон, включенных в Приложение I и осуществляющих процесс перехода к рыночной экономике (The Compliance Committee should take into account any degree of flexibility allowed by the COP/MOP pursuant to Article 3.6 of the Protocol and Article 4.6 of the Convention for the Annex I Parties undergoing the process of transition to market economy).

#### **Mandates enforcement branch and facilitative branch**

- Parties decide that the mandate of the enforcement branch covers quantitative emission commitments, eligibility requirements under Articles 6, 12 (only Annex I Parties) and 17.
- All other cases of non-compliance fall within the mandate of the facilitative branch, including Articles 2.3, 3.14, 5.1, 7.1, 7.2, 10 and 11, taking into account the character of commitments for Annex I and Non Annex I Parties.
- The facilitative branch shall be responsible for providing advice, facilitation to Parties in implementing the Kyoto Protocol and promoting compliance of Parties with their commitments under the Protocol.

#### **Compliance: composition of the Compliance Committee**

- Parties decide to establish a Compliance Committee, which shall function through two branches namely a facilitative branch and an enforcement branch.

##### *Facilitative branch*

- Parties decide that the balance in the facilitative branch will be in accordance with current UNFCCC practices (equitable geographical representation of the five UN regional groups, taking into account interest groups as reflected by the current practice in the UNFCCC Bureau).
- Equal numbers of members from each of the five UN regional groups, plus one representative from the group of small island developing States.
- The facilitative branch shall consist of 11 members.
- Facilitative branch members shall make every effort to reach agreement on any proposed decision by consensus. Any decision shall, as a last resort, be adopted by a three-fourths majority vote of the members present and voting at the meeting.

##### *Enforcement branch*

- Parties decide that the balance in the enforcement branch will be in accordance with current UNFCCC practices (equitable geographical representation of the five UN regional groupings,

taking into account the interest groups as reflected by the current practice in the UNFCCC Bureau).

- Equal numbers of members from each of the five UN regional groups, plus one representative from the group of small island developing States.
- The enforcement branch shall consist of 11 members.
- Enforcement branch members shall make every effort to reach agreement on any proposed decision by consensus. Any decision shall as a last resort be adopted by a:
  - Three-fourths majority vote of the members present and voting at the meeting
  - Double majority (majority as a whole and in annex I and non annex 1).

**Compliance: Legal basis, the form of adoption of the final result on compliance**

- Parties decide that the adoption of the compliance system, including binding consequences, should be legally based on:
  - An agreement supplementing the Kyoto Protocol prior to its entry into force

SUBMISSION NO. 22: SAMOA  
(on behalf of the Alliance of Small Island States)

**SUBMISSION of SAMOA on behalf of the  
ALLIANCE OF SMALL ISLAND STATES (AOSIS)**

**Comments on the Note by the President of COP6 of 23 November 2000**

16 January 2001

***Introduction***

This submission is made by Samoa on behalf of the Alliance of Small Island States (AOSIS). It provides comments on the Note by the President of COP6 of 23 November 2000, attached to decision 1/CP.6, and replaces earlier written comments by AOSIS on the President's Note. However, it should be considered as building upon AOSIS submissions on related topics.

AOSIS believes that the President's Note provides a logical basis to commence negotiations on a political compromise at the resumed COP6. It wishes to urge Parties to reach a swift compromise on the political issues addressed in the President's Note that remain unresolved, in a manner that promotes the Protocol's environmental integrity. AOSIS also wishes to stress the need to finalize the technical discussions on the draft decisions before the end of the resumed COP6.

This submission follows the structure of the President's Note. AOSIS reserves the right to make further submissions, in particular, on technical issues.

***Box A. Capacity building, technology transfer, implementation of Articles 4.8/4.9; 3.14, finance***

**Funding mechanisms and guidance to the GEF**

AOSIS supports the establishment of a specific fund for adaptation with special consideration to be given to the needs of LDCs and SIDS. AOSIS also supports separate funding arrangements for the funding of technology transfer and capacity building.

**Adaptation fund**

AOSIS believes this fund should be established under the COP/MOP. It should be managed by an existing institution that can demonstrate a high level of responsiveness to and knowledge of the needs of developing countries, in particular the LDCs and SIDS amongst them, capable of operating efficiently and effectively. The fund shall support all kinds of adaptation activities to climate change in developing countries that are particularly vulnerable to the adverse impacts of climate change in accordance with national priorities identified by these parties and programmes, priorities and eligibility criteria determined by the COP/MOP. Such activities may include stage III adaptation activities.

AOSIS strongly believes that finance for the adaptation fund shall be generated by the share of the proceeds from the clean development mechanism (CDM), joint implementation (JI) and emissions trading (ET), including in the form of a transfer of [x] per cent of the initial assigned amount of each Annex II Party to the adaptation fund, as well as additional voluntary contributions from Annex II Parties and other sources. Such contributions shall in no manner diminish the legally binding obligations of Annex II Parties under the Convention to provide new and additional funding to the Convention's financial mechanism for developing country Parties vulnerable to the adverse impacts of climate change, especially SIDS.



AOSIS proposes that the share of the proceeds for CDM/JI is initially to be set at [not less than 10%] and shall be periodically reviewed and adjusted by the COP/MOP on the basis of the amount of funding provided and the impact of the share of the proceeds on the use of the mechanisms. The first review shall take place five years after the interim operation of the CDM (see Box B). Reviews shall not have retroactive effect.

AOSIS strongly opposes any prioritisation of adaptation activities related to deforestation, land degradation and desertification over other types of adaptation activities.

#### *Funding arrangements for Technology Transfer and Capacity Building*

AOSIS supports the concept of specific, concrete funding arrangements to meet developing country Parties' needs relating to capacity building and technology transfer.

AOSIS believes the existing legally binding commitments of Annex II Parties to fund developing country Parties needs for technology transfer and capacity-building should be fully met without being made conditional upon the entry into force of the Kyoto Protocol and the operation of its mechanisms.

AOSIS believes that any new funding arrangements to be established to meet developing country Parties' technology transfer, technical support and capacity building needs should be established under the COP and operate in accordance with COP guidance. New funding arrangements shall be managed by an existing institution that can demonstrate a high level of responsiveness to and knowledge of the needs of developing countries in particular the LDCs and SIDS amongst them, and which is capable of operating efficiently and effectively.

#### **Capacity Building**

In view of their particular vulnerabilities, AOSIS believe the capacity-building needs of LDCs and SIDS should receive priority in the related draft decisions.

#### **Adverse effects of Climate Change**

AOSIS strongly believes that the legally binding obligations of Annex II Parties under the Convention to provide funding to the Convention's financial mechanism for developing country Parties vulnerable to the adverse impacts of climate change are additional to the funding provided by those Parties to the adaptation fund.

#### ***Box B. Mechanisms***

#### **COP/MOP <-> Executive Board**

AOSIS strongly supports the President's suggested formulation for the composition of the executive board as well as the other provisions in this section.

In relation to institutions for a prompt start, AOSIS believes the CDM can only work effectively if the institutional infrastructure necessary for securing environmental integrity of CDM projects is in place. Thus, in addition to the executive board, AOSIS believes institutional arrangements must also be established to ensure the effective verification, monitoring and certification of CDM project activities, as well as the transfer of the share of proceeds to the Adaptation Fund (see also comments on Box A).

### **Eligibility of project activities under the CDM**

AOSIS supports the speedy development of expedited procedures for environmentally sound projects covering small-scale renewable energy and energy efficiency. Priority action by the Executive Board should be taken to stimulate early development of such projects.

A clear framework for developing consistent, comparable and credible baselines to determine the additionality of CDM projects must be adopted as part of the prompt start of the CDM.

AOSIS welcomes the widespread recognition at The Hague that Annex I Parties will refrain from using nuclear facilities for generating certified emission reductions under the CDM. AOSIS also believes the inclusion of projects relating to land use, land use change and forestry can only be decided by the COP once outstanding scientific, methodological and policy issues have been resolved (see also comments on Box C).

### **Supplementarity**

AOSIS supports the examination by the compliance system of information submitted by Annex I Parties indicating whether demonstrable progress has been made by each of them to implement domestic action by 2005, and that Annex I Parties shall meet their emission commitments primarily through domestic action.

### **Trading modalities and liability**

Criteria relating to Party level participation are a major component in guaranteeing the environmental integrity of the system. Accordingly, all Annex I Parties must demonstrate to the compliance system that their participation would not undermine the environmental credibility of all three mechanisms prior to their participation in the mechanisms. At a minimum, the compliance system must provide affirmation that a Party has ratified the Protocol, is bound by the compliance system and meets all relevant reporting requirements before it can participate in the mechanisms.

The portion of the assigned amount to be retained for each commitment period in a commitment period reserve shall not be less than 98%. The figure of 70% is too low and endangers the environmental integrity of the system.

### **Promotion of geographic distribution of CDM projects**

Special attention should be given to the capacity-building for LDCs and for SIDS as these countries are often marginalized in the global economy, due to limited resource base, economies of scale and remoteness. AOSIS supports exempting CDM projects in LDCs and SIDS from the share of proceeds for adaptation.

### **Procedures for Joint Implementation**

Criteria relating to Party level participation are a major component in guaranteeing the environmental integrity of the system, in particular for JI. Participation conditions for Parties, as mentioned under trading modalities above, must be demonstrably proven to the compliance system as having been met prior to participation in JI projects. AOSIS support exclusion of nuclear and, pending further work, LULUCF projects from JI.

***Box C. Land-use, Land-use change and forestry***

**Definitions for afforestation, reforestation and deforestation under Article 3.3**

AOSIS supports the biome approach to definitions of ARD under Article 3.3 and strongly believes that Parties should decide to establish a process to investigate the inclusion of biome-specific forest definitions. AOSIS has, furthermore, provided detailed technical proposals for definitions and will introduce these, as appropriate in technical discussions.

**Additional activities and accounting under Article 3.4**

*Accounting for the first commitment period*

AOSIS strongly supports the exclusion of additional activities under Article 3.4 for the first commitment period. Should negotiations move towards a discussion of additional activities under 3.4 for the first commitment period, AOSIS would call for a thorough assessment of the consequences of specific country-by-country caps to address issues related to scale, measurement uncertainties, factoring out pre-1990 activities and indirect human-induced effects.

*Accounting for the second commitment period*

AOSIS believes a scientific process should be set up under the IPCC to assess practicable methodologies to factor out indirect human-induced effects, natural effects and effects resulting from pre-1990 activities and to address measurement uncertainties.

AOSIS strongly supports the view that modalities, rules and guidelines for the inclusion and accounting of activities under Article 3.4 for the second and subsequent commitment period should be decided as part of the second commitment period negotiations.

**LULUCF under the Clean Development Mechanism**

AOSIS strongly believes that Parties should postpone the decision on the inclusion of LULUCF activities until outstanding scientific, methodological and policy issues have been resolved. In preparation for this decision, SBSTA, aided, if necessary, by the IPCC, should carry out further work to address accounting modalities and definitions, the issue of permanence, social and environmental effects, leakage, additionality, measurement uncertainty and scale.

***Box D. Policies and Measures, Compliance, Accounting, Reporting and Review***

**Policies and measures**

AOSIS supports the proposal to invite parties to make submissions on the definition of demonstrable progress and the need for guidelines for reporting on this progress (Article 3.2 of the Kyoto Protocol) to be adopted by COP-7.

**Compliance**

AOSIS strongly supports continued negotiations on Procedures and Mechanisms for Compliance under the Kyoto Protocol on the basis of the text developed by the Joint Working Group on Compliance contained in document FCCC/2000/CRP.15/Rev 2, and addresses these responses to the President's Note on the assumption that the choices and design principles that follow should provide the basis for completing negotiations on that text.

### **Compliance: consequences of non-compliance with Article 3.1**

AOSIS believes that legally binding consequences that are likely both to deter and to provide a means of remediating the environmental effects of non-compliance will be an essential tool in responding to non-compliance with Article 3.1 of the Protocol. Such consequences must be designed in conjunction with mechanisms for preventing particular kinds of non-compliance, such as commitment period reserves, and rigorous rules and procedures for designing and verifying project performance under JI and the CDM.

While a penalty in the form of a deduction of tonnes from a subsequent commitment period assigned amount can provide a deterrent and a means of continuing to hold an Annex I Party accountable for its ongoing obligations, such a deduction cannot alone guarantee environmental integrity. Failure to comply with commitments in a first commitment period justifies greater international scrutiny of an Annex I Party's performance in a subsequent commitment period, through a Compliance Action Plan.

For the deduction of tonnes to be an acceptable penalty, it must be:

- Accompanied by an agreement by the COP to negotiate, adopt and bring into force emissions reductions commitments for subsequent commitment periods prior to the conclusion of the first commitment period;
- Subject to a penalty rate at a high level that will partly serve as an interest rate for the delays in the achievement of emission commitments, and as an incentive to comply as quickly as possible.

Therefore, AOSIS would join in a consensus to support giving the authority to the enforcement branch to impose, in response to a the non-compliance of an Annex I Party with its commitments under Article 3.1, the following consequences in combination:

- Deduction of tonnes from the assigned amount of the non-complying Party in a subsequent commitment period at a penalty rate of [2][1.5] times the amount of tonnes emitted by that Party in excess of its assigned amount in the first commitment period.
- Parties concerned shall, after determination of non-compliance, develop and submit to the enforcement branch for its approval a compliance action plan setting out inter alia how they propose to meet their commitments, on an annual basis in the subsequent commitment period.
- Imposition of an additional penalty of 0.50 [0.25] times the remaining excess tonnes calculated annually for as long as that Party is in non-compliance as well as in relation to the amount with which the Party concerned has exceeded its target.

### **Compliance: differentiation between Parties (in particular Annex I and non-Annex I)**

AOSIS agrees that the mandate of the enforcement branch shall be limited to agreed obligations of Annex I Parties only.

There will be no eligibility requirements for non-Annex I Parties in respect of their participation in the CDM other than ratification of the Protocol and acceptance of the compliance system. There will be no differentiation between Annex I Parties and non-Annex I Parties in respect of the application of consequences by the facilitative branch.

The facilitative branch, shall, in providing advice and assistance to Parties, respect the differing rights and obligations of Parties under the Protocol and the principle of common but differentiate responsibilities. It must recognize that not all the consequences that have been proposed can apply to Non-Annex I Parties in the same manner as it applies to Annex I Parties. Some of the consequences are not appropriate. For example it is proposed as a consequence that the facilitative branch can refer a case

to the enforcement branch. This is totally inappropriate where non-Annex I Parties are concerned. Furthermore, financial resources under the Protocol's financial mechanism are available, as a matter of right, to developing country Parties only. This cannot be altered in law or in practice through the mandate of the compliance system.

#### **Compliance: relationship between the COP/MOP and the Compliance Committee**

AOSIS believes that Parties decide that the role of the COP/MOP should be limited to giving general policy guidance to the Compliance Committee and that it should not intervene in individual cases. AOSIS agrees that there is no need for an appeals procedure.

#### **Mandates enforcement branch and facilitative branch**

AOSIS believes that the mandate of the enforcement branch covers quantitative emission commitments, reporting requirements and eligibility requirements under Articles 5.1, 6, 7.1, 12 (only Annex I Parties) and 17.

The facilitative branch shall be responsible for providing advice and facilitation to parties in implementing the Kyoto Protocol and promoting compliance of Parties with their commitments under the Protocol, taking into account the principle of common but differentiated responsibilities and capabilities of Parties included in Annex I and Parties not included in Annex I.

#### **Compliance: composition of the Compliance Committee**

AOSIS supports the President's proposal on composition, that the Compliance Committee membership shall reflect current UNFCCC practices (equitable geographical representation of the five UN regional groups, taking into account interest groups as reflected by the current practice in the UNFCCC Bureau).

AOSIS does not, however, support the use of a double majority voting rule within either branch, as this would in effect provide Annex-based groupings of members from Parties with a veto, and would promote partisan politics contrary to the spirit of the individual and expert capacities in which the members are asked to serve.

#### **Compliance: Legal basis, the form of adoption of the final result on compliance**

AOSIS supports the adoption and ratification of a legally binding agreement that would bring into force procedures and mechanisms authorized to impose binding consequences that would supplement the Kyoto Protocol prior to its entry into force.

SUBMISSION NO. 23: SWEDEN  
(on behalf of the European Community and its member States)

11 January 2001

Submission by the European Union on the informal note by the President of COP 6.

1. The European Union welcomes the opportunity to submit views with regard to the proposals made by the President of COP 6 on November 23, 2000. The Union now wishes to confirm the written amendments put forward in the Ministerial session of November 24, 2000. In the process ahead, the Union is prepared and willing to give further clarifications of its own positions and looks forward to further discussion on certain issues in the text, in particular regarding institutional and governance issues.
2. The EU looks forward to receiving a revised version of the President's proposal as a basis for further negotiations.
3. In this context, the EU underlines the importance of the work carried out during COP 6 aiming at preparing formal decision texts and emphasises the need of translating any political agreements that may be reached in the further consideration of the President's proposals into formal decision texts.
4. The European Union wishes to reiterate its resolve to cooperate with all Parties in the efforts to find solutions to the outstanding negotiating issues with a view to reach agreements at a resumed COP 6 session that would enable all Parties to ratify the Kyoto Protocol.

ORIGINAL SUBMISSION OF 25 NOVEMBER 2000

25 November 2000/12: 15 AM

**EU AMENDMENTS**  
**TO PAPER DISTRIBUTED BY CHAIRMAN PRONK**

**Box A :**

**Funding mechanism and guidance to GEF**

1. Page 2, Section on the Convention fund, bullet 2: Revise the first sentence:  
*“Under this fund, new and additional funding will be made available by Annex II Parties for activities in developing countries: technology transfers and technical support, capacity building related to climate change, specific CDM capacity building, national programmes containing mitigation measures. New and additional funding . . . ”*
2. Page 2, section “Adaptation fund”, bullet 2,  
  
- 2nd sentence should read:  
*“Finance will be generated by a share of proceeds on the CDM (2% of the CER generated by a project) and voluntary contribution by Annex II Parties”*

- Delete the last sentence of that bullet

4. Page 2, section “Convention Fund”, Replace in the first sentence and in the first and second bullet “window” by “fund”

5. Page 2, section “Convention Fund”, third bullet, replace text by  
*“Sources for funding will be supplementary contribution to the third GEF replenishment, voluntary contributions by annex II parties , or additional ODA . Annex II Parties may also transfer [X] percent of their initial assigned amount to the registry of the fund. Annex 1 parties can acquire these units, on the basis of article 17, for the purpose of meeting their commitments of article 3.1”*

6. Page 3, section <<Resource>> ,  
- insert to the second sentence

*“They agree that the sum total of contributions to the adaptation fund, the convention fund and other funding for climate change should reach the level of . . . ”*

#### **Adverse effects of climate change**

7. Page 4, 1st bullet, 3rd line: replace “, other relevant sources and the staged approach” by “and other relevant sources, as well as the staged approach”

#### **Impacts of response measures (Article 3.14)**

8. Page 4, replace 1st bullet by:

*“The efforts in striving to implement their commitments mentioned in Article 3.1 of the Kyoto Protocol in such a way as to minimize the adverse social, environmental and economic impacts, such as: reducing or phasing out of subsidies for fossil fuel production and reducing or phasing out the use of high emission energy carriers. ”*

#### **Impacts of response measures (Article 4.8)**

9. Page 4, 1st bullet, 1st line: replace “will assist” by “should assist”.

10. Page 4, 1st bullet, 2nd line: replace “in the field” by “in the fields”

#### **Specific needs of the least developed countries (incl. SIDS)**

11. Page 5, 1 st bullet, chapeau: replace “GEF, focusing on:” by “GEF or Adaptation fund, focusing on”

12. Page 5, 1st bullet, 2nd indent: add “(NAPA)” at the end of the sentence

13. Page 5, 1st bullet, 3rd indent: replace existing text with: “Priority for implementation of concrete adaptation projects through the Adaptation fund, on the basis of National communications or NAPAs. Planning for disaster preparedness and prevention, avoidance of deforestation and prevention of land degradation may be included. ”

#### **Box B**

#### **COP/MOP and executive board**

1. Page 6, section “*Composition of the executive board*”, replace second and third bullet by:  
“*The Executive Board shall have 20 members: 10 members chosen on the basis of equitable geographical distribution; 5 chosen from amongst Parties included in Annex I and 5 chosen from amongst Parties not included in Annex I (including one member to represent the Small Island Developing States).* ”
2. Page 6, section “*Decision making power of the COP/MOP*”, add to the text of the first bullet:  
“*The Executive Board shall make decisions on a provisional basis, pending adoption of the decisions by CoP/MoP.* ”
3. Page 6, section “*Institutions for a prompt start*”, in the first bullet, replace  
“*...at the next session of the subsidiary bodies* ” with “*...at the Conference of the Parties at its seventh session*”.

### **Eligibility of project activities under the CDM**

Page 6, bullet 2, replace the existing text by the following :

*“Annex 1 Parties declare that they will refrain from using nuclear facilities and new large hydro-power plants for generating certified emissions reductions under the CDM and JI”*

### **Supplementarity**

4. Page 7. Replace the existing text by the following:

*“Each annex I Party shall meet its emissions commitments primarily through domestic action since 1990. This means that use of the mechanisms under Article 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 quantified information. A first assessment of demonstrable progress, as referred to in Article 3.2 of the Protocol, shall be specifically reported on the basis of criteria to be developed by SBSTA. ”*

### **Trading modalities and liability**

5. Page 7, second bullet, second sentence, replace “*This portion shall be 70 percent of their assigned amounts* ” with “*This portion shall be 98 percent of their assigned amounts* ”

Page 7, add a new bullet saying :

*“Environmental and economic dimensions of the use of the revenues from net international emission transfers arising from emissions trading shall be considered at COP 7. ”*

### **Promotion of geographic distribution of CDM projects**

6. Page 8, second bullet, amend the last point in the following manner:

*“Public funding of a CDM project should be additional to current ODA. ODA will not be used to purchase CERs under CDM. ”*

### **Participation**

7. Add a new section at the end of Box 2, which would contain the following text:



*“Parties agree that all Annex I Parties must be in compliance with methodological and reporting requirements under articles 5 and 7, and must have a national registry system in place, to participate in the mechanisms. The compliance committee should rule on whether a Party could participate, based on a report by the Party demonstrating that it meets the requirements. If no decision is forthcoming after 18 months after the report is received, the Party should be eligible to participate.”*

### **Box C**

#### **Under title and before first section**

1. Add the following chapeau:

*“LULUCF activities under the Kyoto Protocol should be consistent with and supportive of the conservation and sustainable use of biodiversity. ”*

Additional activities and accounting under article 3.4

2. Page 10, Section “*Eligible activities*” , replace the existing paragraph by:

*“Parties further recognise that carbon stock changes and associated emissions by sources and removals by sinks of other greenhouse gases resulting from LULUCF activities undertaken under Art 3.4 of the Kyoto Protocol can be used for meeting commitments under Art 3 of the KP only where data exist to demonstrate that that they have had a significant human induced, intentional, additional effect since 1990 on net emissions and/or removals. The demonstration shall be made using methods agreed by the COP, consistent with good practice guidance to be developed by IPCC”.*

3. Page 10, section “*Accounting*”, replace the second bullet by:

*“Therefore Parties decide that the contribution of additional activities under article 3.4, for the second interval identified below, towards meeting a Party’s target in the first Commitment Period shall be limited to 0.5% of the Party’s base year emissions. ”*

4. Page 10, section “*First interval*” , second bullet, 4<sup>th</sup> line: Change “*since 1990*” by “*in the commitment period*”.

5. Page 10, section “*Second interval*” , second bullet, 4th line: discount rate should be 97% instead of 85%.

#### **Additional article 3.4 activities during the second and consecutive commitment periods**

6. Page 11, second bullet, final line, replace “*taking into account methodological work by the IPCC on this matter*” by “*based on scientific criteria and methodologies assessed and developed by IPCC*”

#### **LULUCF under the CDM**

7. Page 11, replace entire section by:

*“Parties consider that the issues of scale, risks and uncertainties are far from being met regarding LULUCF projects. Therefore, these shall not be eligible to the CDM at least during the first commitment period.”*

#### **Box D**

##### **Consequences of non compliance with article 3.1**

1. Page 12, 5th bullet, 2nd indent, replace existing text by:  
*“Penalty rate should be set at 2 and be increased to 4 after the subsequent commitment period . . . ”*
2. Page 12, 5th bullet, 3rd indent, change existing text to :  
*“The Party concerned shall, after determination of non compliance, develop and submit to the enforcement branch for approval a compliance action plan setting out how they propose to meet their commitments in the subsequent commitment period. Such a compliance action plan shall include, as a priority, domestic action, acquisition of preceding commitment period assigned amounts, or mitigation projects.”*
3. Page 12, add a new indent to the last bullet :  
*“Loss of right to transfer tonnes under articles 6 and 17 until the Party demonstrates it will have a surplus. ”*

##### **Mandates enforcement branch and facilitative branch**

4. Page 13, bullet 2, delete reference to articles 5.1 and 7.1 in second bullet and include at the end of the first bullet :  
*“as well as reporting requirements under articles 5.1, 5.2, 7. 1 and 7.4 ”*

##### **Composition**

5. Page 14, copy last paragraph of section on the enforcement branch to replace the last paragraph of the section on facilitative branch. (on double-majority voting rules).
6. Page 14, section on the enforcement branch, replace paragraphs 1 to 3 with :  
*“Parties decide that the enforcement branch shall consist of 7 members, 5 nominated by Annex 1 Parties and 2 nominated by non Annex 1 Parties. ”*

SUBMISSION NO. 24: SWITZERLAND  
(on behalf of the Environmental Integrity Group)

In response to Decision 1/CP.6, Switzerland, on behalf of the Republic of Korea, Mexico, Liechtenstein and Monaco forming the Environmental Integrity Group, submit the following comments to the informal note dated 23 November 2000 by the President of COP 6.

The Environmental Integrity Group considers that the President's note is a good basis for a political agreement. After a previous agreement on the elements of the President's note, Parties will be able to conclude successfully their negotiations on the documents on specific items of the Buenos Aires Plan of Action.

We suggest, in the attached comments to the President's note, some modifications of the proposed agreement in order to be consistent with some current practices in the Convention's process as well as other elements aimed at maintaining the environmental integrity of the implementation of the Kyoto Protocol.

The fact that we do not comment or mention the remaining proposals of the President's note does not imply that we accept them. We simply consider that they must be negotiated as soon as possible with all Parties.

**BOX A :**            **Capacity building, technology  
transfer, implementation of  
Articles 4.8/4.9; 3.14, finance**

Funding mechanisms and guidance to the GEF

Adaptation Fund

*[Second bullet]*

Delete the last sentence "Projects will be implemented by the UN implementing agencies

Note: if not, this unnecessarily excludes institutions such as the World Bank, which is one of the GEF Implementing Agencies

*[Third bullet, changes in bold]*

❖ The **GEF Council** shall manage the fund (delete the remaining text)

Note: Management of the Adaptation Fund by the existing GEF Council should be acceptable, given that developing countries and CEITs have 18 of 32 Constituencies in that body. We propose deletion of the remaining text since the GEF, as financial mechanism of the Convention, is by definition subject to COP and COP/MOP guidance.

Convention Fund

*[Third bullet, point 3.]*

replace 'will' with '**may**'

## Resources

*[Replace existing text]*

**In addition to the Adaptation and the Convention Fund Parties agree to increase resources for climate change funding through a levy on Art. 6 (JI) and Art. 17 (Emission Trading). The COP/MOP shall determine (i) the magnitude of these levies (ii) the way to implement them, and (iii) the utilisation of the resulting funds.**

## Climate Resources Committee

*[We propose the deletion of this item]*

Note: we see no plausible rationale for the establishment of such a Committee. Discussions of this item at COP 6 revealed that it had not been proposed by any Party or negotiating group.

## Specific needs of the least developed countries (LDC's, including SIDS)

Note on the heading of this item: it is unclear whether this would apply only to SIDS that are LDC's or to all SIDS.

*[First bullet, third arrow]*

We propose the deletion of the second sentence.

Note: there was consensus on the deletion of this second sentence at COP6.

## **Box B : Mechanisms**

Insert new textbox:

### Environmental safeguards and public participation

- ❖ **CDM, JI and Adaptation Fund projects shall be subject to environmental safeguards and public participation provisions, in line with UN rules and current practices.**
- ❖ **Projects including the use of nuclear energy are not eligible as CDM, JI, or Adaptation Fund projects.**

Rationale: Public participation provisions belong in our view to the key issues of the Mechanisms and shall therefore be addressed in the note of the President. Our group strongly supports the exclusion of nuclear energy from any projects under the protocol.

### COP/MOP <-> Executive Board

First bullet under C., replace and add text as follows:

- ❖ **Parties decide that a prompt start for the CDM will be operationalised by election of the Executive Board at the next session of the subsidiary bodies COP7. The COP assumes all responsibilities of the COP/MOP necessary for the prompt start of the CDM.**

Rationale: This provision is necessary for a CDM prompt start.

### Eligibility of project activities under the CDM

Delete second bullet, now contained in new textbox above.

Last bullet, add following text in bold:

- ❖ .... the Executive Board shall further develop rules and modalities for the operationalisation of this decision, **including methodologies for baselines, additionalities and monitoring of CDM and JI projects.**

Rationale: Rules and modalities for baselines, additionality and monitoring of projects belong to the key issues of the Mechanisms and shall therefore be addressed in the note of the President.

### Trading modalities and liability

Replace in second bullet:

- ❖ .... This portion shall be ~~70~~ **98** percent.....

Rationale: In order to avoid the risk of “overselling” the portion of the assigned amount that has to be placed in a commitment period reserve shall be very close to 100 percent (unless projections or recent emissions indicate that not all these assigned amount units are needed for own compliance needs). As long as the concrete number of the portion for the reserve is not agreed sufficiently high enough, our group still maintains its own liability proposal (Swiss Proposal<sup>1</sup>).

### Fungibility

Fifth bullet, add text in bold:

- ❖ Parties decide that emission reduction units, **certified emissions reductions** and parts of assigned amount may....

Rationale: Non-fungibility of CER’s would make the CDM for investors much less attractive than JI and IET. Furthermore non-fungibility of CER’s would be difficult to implement and could be circumvented in praxis.

### Promotion of geographic distribution of CDM projects

Delete brackets in first bullet; delete “current” in the last sentence of the last bullet.

Rationale: The concrete number (<xMw) of what is a small-scale project can be defined by the Executive Board. This is not a political key issue, which Ministers have deal with.

### Procedures for “joint implementation”

Include the following text in bold:

- ❖ .... if Parties meet the reporting requirements, however, **the liability provisions under Art. 17 shall apply mutatis mutandis to joint implementation.** Parties note that ....

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<sup>1</sup> FCCC/CP/2000/CRP.3: Paragraph 9, Option 4, Units in Surplus to plan

Rationale: Otherwise Parties could abuse joint implementation in order to circumvent the commitment period reserve under Art. 17.

**Box C : Land-use, land use change and forestry**

[Delete from page 10, 2<sup>nd</sup> bullet under “Accounting” and insert following text as a new textbox on page 9 as a general provision for LULUCF activities:]

General accounting under article 3.3 and 3.4

- ❖ Therefore Parties decide that the **total greenhouse gas removals by sinks resulting from contribution of additional activities under articles 3.3 and 3.4**, towards meeting a Party’s target in the first commitment period shall be limited to **2%** of the Party’s base year emissions **as long as supplementarity of sequestration is not proved**.

Rationale: In our understanding the ultimate goals of the convention and the protocol forbid to give credits for sinks which exist since long. Thus a cap, which limits sink credits both under articles 3.3 as well as 3.4 is one possible solution to the issues surrounding sinks (scale, uncertainty, natural effects, human-inducement since 1990). On the other hand our proposed solution of a threshold and/or discount rate for all sinks for all commitment periods under all articles based on a scientific rationale and the magnitude of the residual terrestrial uptake, appears more attractive. However, we are willing to agree to the cap solution as a compromise, given our aforementioned concerns are met.

Definitions for afforestation, reforestation and deforestation under article 3.3

[page 9, 3<sup>rd</sup> bullet:]

- ❖ Parties decide that for defining afforestation, reforestation and deforestation the set of IPCC definitions shall be applied. **Afforestation and reforestation include also the promotion of natural regeneration.** According to the IPCC special report, this set of definitions delivers an accounting system that is closest to the actual exchange between lands brought under the system and the atmosphere.

Rationale: Promotion of natural regeneration with a minimum of human interventions is the most economic and ecologically sound way of creating new sinks. It leads to forests with a well-adapted species composition. Therefore it should not be excluded from accounting.

LULUCF under the Clean Development Mechanism

[Page 11, add at the end of fourth bullet]

- ❖ ...to deal with these issues. **SBSTA will re-examine eligibility of activities.**

Rationale: Sinks projects in the CDM run the risk to generate several perverse incentives, in sharp contrast with the ultimate goals of the convention and the protocol. E.g. reforestation following the deforestation of mature, old-growth forests should never get carbon credits under article 12. To ensure that safeguards against such perverse incentives can be applied rigorously, we need to examine the eligibility of sink activities in the CDM.

**Box D: Policies and Measures, Compliance, Accounting**

Compliance: consequences of non-compliance with Article 3.1

*[Second bullet]:*

replace existing text by "**Parties recognise that, to guarantee environmental integrity, excess emissions of a party have to be restored in the same commitment period and against a penalty rate.**"

*Rationale:* the idea of subtracting excess emissions from a party's assigned amount for the subsequent commitment period is a kind of "borrowing", which does not guarantee environmental integrity. Excess emissions have to be restored in and for the same commitment period in which they are produced

*[Fifth bullet, arrows]:*

- replace existing text by "**Restoration of excess emissions, subject to a penalty rate.**"
- modify existing text as follows: "**Penalty rate should be set at 2.0 and be increased by 0.25 for the subsequent commitment period if the Party concerned is not in compliance at the end of the subsequent commitment period.**"
- [no modification]

Compliance: legal basis, the form of adoption of the final result on compliance

*[Insert one word ]*

... including **legally** binding consequences, should be based on : ...

SUBMISSION NO. 25: UNITED STATES OF AMERICA

**General Comments of the United States on the COP-6 President's Informal Note**

January 19, 2001

Pursuant to the request of the Executive Secretary of December 7, 2000, enclosed are comments on the President's Informal Note dated November 23, 2000. The particular Umbrella Group members associated with each set of comments are specified on each paper. Individual Umbrella Group members may also be submitting comments separately.

The comments reflect those made on November 24 at COP-6. They have been edited to correct typographical and grammatical errors, but have not been amended substantively to reflect developments since COP-6. The U.S. Government reserves the right to submit additional comments on the President's Informal Note, to reflect the views of the new U.S. Administration.

To assist Parties in reviewing the comments, we would direct their attention to the following critical issues:

Box A

- *Funding* – As reflected in the Umbrella Group submission on financing at COP-6, a strong link must be maintained between financing and action to lower emissions in developing countries. In addition, a specific assistance target is not acceptable. Such targets have not generally won international consensus and are unlikely to do so in the climate change context.
- *Share of proceeds* – Extending the share of the proceeds to emissions trading or joint implementation is not acceptable to the United States.

Box B

- *Supplementarity* – The proposed language in the President's Note on supplementarity (i.e., that parties "shall" meet their emission commitments "primarily" through domestic action) amounts to a quantitative restriction on the use of the mechanisms, which the United States does not support.
- *Liability* – Any liability rule for emissions trading must not significantly increase the cost of "normal" trading, and must instead carefully target the risk of massive "over-selling". Although the United States believes that transferor liability, coupled with a strong compliance regime, is the preferred approach, the U.S. Government comments reflect the view that the approach set forth in the President's Informal Note may offer a reasonable basis of further negotiation.
- *Fungibility* – Creating a system in which Kyoto credits are "fungible" is essential – especially so for the CDM, since if CERs cannot be traded or exchanged, the value of CDM projects will be considerably more uncertain and less effective as a means of promoting sustainable economic growth in developing countries. Although the President's Informal Note contains useful preambular language, it does not recognize explicitly that CERs may be traded or exchanged. Instead, the Note adapts an interpretation of "assigned amount" that is contrary to Article 3 of the Protocol and undermines the notion that CDM credits are interchangeable with others.
- *Parallelism* – The suggestion contained in the President's Informal Note that the rules and procedures for emissions trading are to be decided by the COP/moP is contrary to Article 17 of the Kyoto Protocol and is unacceptable to the United States. Instead, as specified in the Buenos Aires Plan of Action, the rules for emissions trading must be decided at the same time as those for the Clean Development Mechanism.
- *Article 4 "bubble"* – As reflected in the proposed Box B-bis, there must be parity of treatment among all Annex I Parties, including those operating under an Article 4 arrangement. We view



this issue as central to the environmental integrity of the Protocol and will continue to press strongly for the development of appropriate rules relating to Article 4.

#### Box C

- *Phase-in structure* – The role of carbon sinks is critical to the cost-effectiveness of the Protocol. The acceptance by the United States of the agreement in Kyoto was contingent upon our understanding that the US could use a significant amount of the carbon sequestered by our forests and agricultural lands to meet our target. As reflected in the U.S. comments on the President’s Informal Note reflect, artificial limits on the use of sinks are not appropriate, particularly limits that do not have a sound basis in science, such as a “cap” on the total credits that a Party could receive under Article 4 of the Protocol. In addition, given the lack of scientific evidence that indirect human effects have a measurable effect on emissions and removals from cropland management, grazing land management and revegetation, the United States does not believe it would be appropriate to impose a significant discount on credits for these activities.
- *Sinks in the CDM* – LULUCF projects can contribute significantly to the two-fold purposes of the CDM. The United States believes that all types of LULUCF projects should be eligible under the CDM, so long as they can satisfactorily address the issues of additionality, leakage and permanence.

#### Box D

- *Restoration rate* – The incentive rate that applies to the subtraction of tonnes for a Party that exceeds its target should provide a credible incentive to comply; at the same time, it should not be so high as to create incentives to leave the regime (or not join in the first place). It appears that the Canadian approach of a sliding linear rate, while not our original proposal, is best calculated to result in an appropriate, and negotiable, outcome.
- *Composition of enforcement branch* – The proposal contained in the President’s informal note regarding the composition of the enforcement branch falls far short of what would be acceptable to the United States. For a body that will concern itself, at least initially, only with commitments of Annex I Parties, it is not logical or fair to suggest that its members be predominantly those nominated by non-Annex I Parties. Double-majority voting (i.e., requiring any decision to include a majority of Annex I members) does not address the concern, as it essentially only ensures that two Annex I members (out of 11 members) endorse the decision.

We hope this summary of the principal points in our November 24 submission is helpful to President Pronk and the other Parties as they determine how best to carry forward the negotiations. As mentioned earlier, we may submit additional comments in the coming months, as our new team assumes office.

### **Box A: CAPACITY BUILDING, TECHNOLOGY TRANSFER, IMPLEMENTATION OF ARTICLES 4.8/4.9; 3.14 FINANCE**

SUBMISSION BY CANADA, JAPAN, NORWAY, AND THE UNITED STATES

#### **Funding Mechanisms and guidance to the GEF**

Parties have reached general agreement on the frameworks for technology transfer, capacity building, and other forms of assistance related to mitigation of, and adaptation to, climate change. These frameworks will further the objectives of the Convention, including as reflected in the Buenos Aires

Plan of Action. Parties have also reached general agreement that special consideration will be given to the least developed countries and small island States amongst them.

Annex II Parties express their intent to seek, through a variety of means, including augmenting their bilateral programs, a significant increase in funding for international climate change related activities, recalling, *inter alia*, Article 4.3 of the Convention. Annex II Parties have also expressed their support for a successful replenishment of the Global Environment Facility and commitment to ensure that the GEF become more responsive to the needs and priorities of developing countries. Ownership and “country-drivenness” in GEF projects should be enhanced. The scope of activities funded by the GEF should also be broadened. GEF procedures and policies should be streamlined.

#### Adaptation Fund

Parties declare their intention to seek the establishment of, and the resources to fund, a new window under the GEF: the Adaptation Fund.

- ❖ The implementation of concrete pilot adaptation projects in developing country Parties will be financed. Projects will be implemented by the GEF Implementing Agencies.
- ❖ The GEF Secretariat will manage the fund. The fund will function under the guidance of the COP/moP. Such guidance will be given on programs, priorities and eligibility criteria for funding of adaptation activities
- ❖ The following activities will be included in the category of adaptation activities: avoidance of deforestation, combating land degradation and desertification.

#### Specific needs of the least developed countries (LDCs, including SIDS)

- ❖ Within the Adaptation Fund, a separate work programme will be established for the least developed countries and small island States amongst them, based upon the scope of needs identified in XX.CP6, XX.CP6...
- ❖ To encourage a greater flow of CDM projects to the LDCs, CDM projects in LDCs will be exempt from the share of the proceeds for adaptation. The implementation of ‘small scale CDM projects’ will also be promoted.

#### Convention fund

Parties declare their intention to seek the establishment of, and the resources to fund, a new window under the GEF: a Convention Fund.

- ❖ Under this window, new and additional funding will be made available by Annex II Parties for activities in developing countries: technology transfer and technical support, capacity building related to climate change, specific CDM capacity building, , assistance with economic diversification. New and additional funding will also be made available for capacity building in Annex I Parties with economies in transition.

Funding related to mitigation will be for the purpose of a Party’s implementation of national abatement and sequestration strategies, which are to be consistent with criteria to be agreed.

- ❖ The GEF Secretariat will manage the fund. The new GEF window will operate under the policy guidance of the COP/MOP.

### Funding and Modalities

Contributions from Annex II Parties will reflect their initial assigned amounts. These contributions should be made at rates adjusted to generate \$1 billion over the first commitment period. These may be directed to either the Adaptation or Convention funds or both as Parties deem appropriate, with the modalities to be defined at COP 7. Finance for the Adaption Fund will be generated by the share of the proceeds on the CDM (2% of the CERs generated by projects), voluntary contributions and by a percentage of assigned amount, or its financial equivalent.

-- There will be periodic reviews of the modalities of the new GEF funds, including with respect to the level of funding and the eligibility requirements.

### Climate Resources Committee

Parties declare their intent to establish a Climate Resources Committee at COP-7, with the following mandate:

- ❖ To give policy advice to existing multilateral financing channels and institutions such as the GEF, Regional Development banks, the World Bank, UNDP and other multilateral institutions. The advice will be focused on:
  - Maximizing climate change funding
  - Mainstreaming climate-related objectives into existing financial flows

## **Comments by the United States on Box B**

### ***Box B. Mechanisms***

#### **COP/MOP <-> Executive Board**

##### A. Composition of the Executive Board of the CDM

- ❖ Parties agree that the composition of the Executive Board is an essential element in ensuring integrity, credibility and efficient operationalisation of the system. Parties therefore decide on a balanced approach in composition and voting procedures.
- ❖ The balance in the Executive Board will be in accordance with current UNFCCC practices the unique characteristics of the CDM (equitable geographic representation of the five UN regional groupings, taking into account the interest groups as reflected by the current practice in the UNFCCC Bureau).
- ❖ Reflecting these considerations, the Executive Board will consist of equal numbers of members from each of the five UN regional groups, plus one representative from the group of small island developing States, 8 members from Parties included in Annex 1 and 8 members from Parties not included in non-Annex 1. (note: we are prepared to discuss various considerations that reflect the unique characteristics of the CDM).
- ❖ Executive Board members shall make every effort to reach agreement on any proposed decision by consensus. Any decision shall as a last resort be adopted by a three-fourths majority vote of the members present and voting at the meeting, representing a majority of members from Parties in Annex 1 and a majority of members from non-Annex 1 Parties.

##### B. Decision-making power of the COP/MOP vis-à-vis the Executive Board

- ❖ The Executive Board shall be subject to the authority and guidance of, and be accountable to, the COP/MOP.

### C. Institutions for a prompt start for the CDM

- ❖ Parties decide that a prompt start for the CDM will be ~~operationalized~~ facilitated by electing the Executive Board at the same time as the COP adopts the rules for Articles 6, 12, and 17.
- ❖ The Executive Board will be served by the UNFCCC secretariat.
- ❖ Appropriate resources will be made available for the prompt start of the CDM.
- ❖ Prior to COP 7, SBSTA will undertake further detailed work on baseline, monitoring, and related methodologies, with a view to their adoption by COP 7
- ❖ Once it is elected, the Executive Board will develop and approve standards for accreditation of operational entities, and accredit operational entities as a priority matter.

### Eligibility of project activities under the CDM

- ❖ Parties recognize that it is up to the Party's discretion to judge whether a project activity is in line with its national strategy on sustainable development.
- ❖ Annex I Parties will declare that they will refrain from using nuclear facilities for generating certified emission reductions under the CDM.
- ~~❖ Parties decide that because of their contribution to the ultimate objective of the convention and to sustainable development, the following activities should be given priority and will have expedited consideration within the rules, modalities and procedures of the CDM:~~
  - ~~renewable energy (inter alia small scale hydro)~~
  - ~~energy efficiency improvements~~
- ❖ ~~Under the guidance of COP/MOP, the Executive Board shall further develop rules and modalities for the operationalisation of this decision.~~

### Supplementarity

- ❖ Annex I Parties ~~shall~~ should meet their emission commitments ~~primarily~~ to a significant degree through domestic action since 1990. This applies to the Annex B commitment of each individual member of an Article 4 arrangement. ~~Compliance with Implementation of this principle will be assessed by the facilitative branch of the compliance committee on the basis of qualitative and quantitative information, reported in national communications and reviewed under Article 8. The facilitative branch shall advise on how to ensure the effective implementation of this provision. A first assessment should be reported in the fourth national communications of Annex I Parties due in 2005.~~

### Trading modalities and liability

- ❖ Parties agree that Article 17 provides opportunities for Parties to fulfill their commitments in a cost-effective way. Parties also recognize that reporting, review and a strong enforceable compliance regime ~~are~~ may not be sufficient to prevent Parties from overselling, thereby potentially endangering the environmental integrity of the system.
- ❖ Parties therefore decide that in the first period, each Annex B Party ies shall retain a portion of their not make a transfer that would reduce the total holdings of assigned amounts in their national registry specific to that commitment period. This portion shall be below an amount equal to 70 percent of (a) their its initial assigned amounts or (b) five times its most recently reviewed emissions inventory , whichever is lower. the portion determined on the basis of projected or recent emissions.
- ❖ After the annual review of each Party's emissions data, the figure in sub-paragraph (b) above ~~portion of assigned amount that must be retained~~ shall be recalculated and, if necessary, adjusted.
- ❖ Parties decide that a Party will be eligible to trade, after a 16 month waiting period after

having submitted their required reports on national inventories and registries, unless the Compliance Committee finds that the Party has not met those requirements. Parties decide that there shall be no other restrictions on trading other than eligibility relating to reporting on national inventories and national registries.

### **Fungibility**

- ❖ Parties should protect the climate system for the benefit of present and future generations of human kind, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities. Accordingly, the developed country Parties should take the lead in combating climate change and the adverse effects thereof. Parties affirm that in their actions to achieve the purpose of the mechanisms, ~~Parties shall~~ they will be guided by Article 2 of the Convention and the principles contained in Article 3 of the Convention.
- ❖ Parties note 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 developments needs.
- ❖ Parties recognize that the Kyoto Protocol has not created or bestowed - on Parties included in Annex I to the Convention and in Annex B to the Protocol - any right, title or entitlement to emissions of any kind in the pursuance of Articles 3, 6, 12, 17 of the Kyoto Protocol which affects the consideration or decision-making on subsequent commitments. Parties recognize that the consideration of such commitments should be based on, inter alia, equitable criteria, common but differentiated responsibilities and respective capabilities.
- ~~❖ Parties note that emissions reduction units (under “joint implementation”) and parts of an assigned amount (under emissions trading) could be added to, or subtracted from, the assigned amount of a Party. Parties agree that certified emissions reduction units (CDM) could be added to the assigned amount of a Party and could be used for the purpose of contributing to compliance with the quantified emission limitation and reduction commitments in Article 3 without altering that Party’s assigned amount pursuant to its commitments inscribed in Annex B. Parties note that additions to, and subtractions from, “assigned amount” under Article 3, while adjusting “assigned amount,” do not alter commitments under Article 3.1.~~
- ~~❖ Parties decide that emission reduction units and parts of assigned amount” may be exchanged according to the rules and procedures to be established by the COP/MOP.~~

### **Promotion of geographic distribution of CDM projects**

- ❖ Parties agree that there should be opportunities for all Parties to participate in the CDM and decide that an equitable distribution of CDM projects will be fostered. ~~Therefore~~ Standardized baselines, which are based on default averages to be developed an appropriate Annex I average, may be used especially appropriate for small-scale energy and electricity demand reduction projects (<XMw) and renewable energy projects (<XMw). The Executive Board is asked to elaborate on and make recommendations on preferential treatment of appropriate measures for promoting these specific project types.
- ❖ Parties decide to foster LDC participation in the CDM by:
  - Special attention will be paid to institutional capacity building for LDCs;
  - CDM projects in LDCs will be exempt from the share of proceeds for adaptation;
  - Public funding for the acquisition of CERs from a CDM project should be additional to current ODA.

### **Procedures for “joint implementation”**

Parties note that “joint implementation” takes place among Annex I Parties with greenhouse gas emission limitation and reduction commitments. Therefore, Parties decide that

there is no need for stringent procedures on verification if Parties meet the reporting requirements. Parties note that if Parties do not meet these requirements, they should follow ~~the same~~ rigorous verification procedures analogous to procedure as provided for under the CDM procedures, but recognizing appropriate differences that reflect the fact that Parties to JI have commitments.

### **Additional Comments of the United States on Box B**

January 19, 2001

#### **Box B (bis)**

##### Issues Related to Article 4

- There must be parity of treatment among all Annex I Parties, including those under an Article 4 arrangement
- In terms of compliance, environmental integrity dictates that any restrictions on transfers of assigned amount must include transfers under an Article 4 agreement.
- Surplus assigned amount may not be banked by Article 4 Parties when any members of the arrangement needs such assigned amount to meet its Article 3.1 commitment. Pursuant to Article 4.6 of the Protocol, any consequences for non-compliance with Article 3.1 apply to both the regional economic integration organization and any individual member state in non-compliance.
- In terms of mechanisms, 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 apply equally to Article 4.
- Any recommendations regarding domestic action apply to each individual member of an Article 4 agreement.
- In order to assess compliance with Protocol commitments, reporting requirements must apply to Article 4 Parties both collectively and as individual Parties.

### **Comments by Canada and the United States on Box C**

#### **Box C. Land-use, Land-use change and forestry**

##### Definitions for Articles 3.3 and 3.4

- Parties agree that for the implementation of Article 3.3, 'forest' is defined in accordance with the FAO definition, in line with FCCC/SBSTA/2000/12 paragraphs 1a and 2. Parties recognize that there should be certain flexibility in applying the FAO values in order to reflect national circumstances.
- Parties decide to establish a process to investigate the feasibility and implications of applying biome-specific forest definitions for future commitment periods.
- Parties decide that for defining direct human-induced afforestation, reforestation and deforestation the set of IPCC definitions shall be applied. Parties decide that afforestation and reforestation may be conducted through planting, seeding, and the utilization of natural seed sources.

##### Additional activities and accounting under Article 3.4

###### Eligible activities

- Parties decide that Parties may include the following activities in the first commitment period: grazing land management, cropland management, forest management, and revegetation.

- Parties decide that the activities a Party chooses to include shall be elected prior to the commitment period.
- To ensure permanence, a Party's elected activities shall then be included in subsequent periods.

#### Accounting for agricultural land management and revegetation

- Given the lack of evidence that indirect human effects have a measurable effect on carbon stock changes and net greenhouse gas emissions from grazing land management, cropland management, and revegetation, Parties decide that these effects will not be factored out and that no discount will be applied to those activities.

#### Accounting for forest management

- Parties note that the carbon stock change and net GHG emissions associated with forest management may include natural climate variations, and other natural variations, of timescales longer than the commitment period. Parties decide that further scientific inquiry on this issue is necessary.
- Parties decide that accounting for forest management (exclusive of afforestation, reforestation, and deforestation under Article 3.3) for the first commitment period shall take place in three intervals.

##### *First interval (full crediting up to level of Article 3.3 debit)*

- Parties recognize the unintended outcome of Article 3.3, namely that those countries which have an overall increase in their managed forest carbon stock may nevertheless have their assigned amounts reduced because of accounting and definitional conventions under Article 3.3. Therefore Parties decide that Parties may fully account for carbon stock changes and net GHG emissions in areas under forest management up to a level that is equal to the net debit incurred under provisions of Article 3.3. Parties who choose to do this shall do so under the condition that the carbon stock change between 1990 and the end of the commitment period from forest management compensates the net debit incurred under the provision of Article 3.3. The level shall not be more than 30 Mt CO<sub>2</sub> for each year of the commitment period.

##### *Second interval (for forest management carbon stock changes and net GHG emissions between the first and thirds intervals - a discount to factor out non-direct human induced effects, and a limit to address scale and the dynamic effects of age structure)*

- Parties decide that the second interval for forest management shall be adjusted in two ways to address 1) the issue of indirect effects, and 2) scale and the dynamic effects of age structure resulting from management activities before 1990.
- For the first commitment period, Parties shall factor out the following elements from the carbon stock changes and net GHG emissions associated with forest management:
  - indirect nitrogen deposition;
  - elevated CO<sub>2</sub> concentrations; and
  - other indirect human-induced effects.
- For the first commitment period, Parties shall factor out these indirect effects for forest management by choosing one of two options.

- As a first option, Parties could choose to apply a reduction of 5% to the carbon stock change and net GHG emissions.
- As a second option, Parties could choose to use scientifically valid approaches to calculate and remove from the accounting these effects.
- For the first commitment period, Parties decide to address the issues of scale and the dynamic effects of age structure resulting from forest management activities before 1990 as follows. Parties agree that the annual contribution of forest management towards meeting a Party's target in the first commitment period shall be limited to 4% of the Party's base year emissions. This limitation applies only to the contribution of forest management within the second interval, after adjusting for indirect human-induced effects.

*Third interval (full crediting for removals over a threshold in order to provide incentives for action to mitigate climate change)*

- Parties recognize that incentives should be provided to sequester carbon and mitigate climate change.
- Parties decide to establish an approach for determining a threshold and decide that Parties may account for removals over this threshold, subject to a discount of 5% or a scientifically valid adjustment to factor out:
  - Indirect nitrogen deposition,
  - Elevated CO<sub>2</sub> concentrations, and
  - Other indirect human-induced effects.

#### **Additional activities under Article 3.4 in the second and consecutive commitment periods**

- Parties decide that Parties should not receive credit for carbon stock changes and net GHG emissions attributable to indirect human-induced factors. Parties therefore decide to establish a process to review the science and implications of indirect human-induced effects and long term natural variability on carbon stocks and net GHG emissions. Parties decide that the CoP/moP may, prior to the adoption of emission commitments for subsequent commitment periods, review the rules, modalities and guidelines for accounting for agreed activities for the second and subsequent periods.
- Parties recommend that the COP/MOP will, prior to the adoption of emission commitments for the second and subsequent commitment periods, establish the list of agreed additional activities for possible use in the second and subsequent commitment periods, together with the rules, modalities and guidelines for their accounting. This list shall include grazing land management, cropland management, forest management and revegetation.

#### **Implementation of Article 3.7**

- Parties note that, for those Parties for whom land-use change and forestry constituted a net source in 1990, emissions and removals resulting from land-use change should be included in the 1990 emissions base year in accordance with the provisions of Article 3.7.
- Parties decide that eligibility to make use of this provision will be determined on the basis of a reviewed national inventory.

#### **LULUCF under the Clean Development Mechanism**

- Parties agree that LULUCF activities can contribute to the two-fold purpose of the CDM. Parties therefore decide to include projects involving afforestation, reforestation, soil management,



prevention of land degradation and prevention of deforestation under the CDM. They recognize that the special concerns that arise from implementing these projects, such as the issue of non-permanence, can be effectively reduced using risk management, creation of temporary certified emission reduction units or other approaches.

- In addition, projects involving prevention of deforestation and prevention of land degradation will be eligible as priority projects to be funded under the adaptation fund in order to address drought, desertification and watershed protection, forest conservation, restoration of native forest ecosystems, and restoration of salinized soils.
- Parties recognize that accounting modalities and definitions for Articles 3.3 and 3.4 may not be appropriate for application in the CDM, and further work on these issues may be desirable. Parties decide that the issues of non-permanence, strong social and environmental safeguards, leakage, baselines and additionality and uncertainty should be properly addressed in project methodologies on a priority basis. LULUCF projects should be in conformity with the sustainable development goals of the host country and, as appropriate, the objectives of other multilateral environmental agreements.
- Parties therefore decide to establish a process under the SBSTA to develop rules and modalities with a view toward a decision at COP 7.

#### **Comments from Canada, the United States and Japan on Box D**

##### ***Box D. Policies and Measures, Compliance, Accounting, Reporting and Review***

#### **Policies and measures**

- ❖ Parties decide to continue exchange of information on Policies and Measures.
- ❖ Parties decide to invite submissions by Annex I Parties on ~~the meaning of~~ demonstrable progress and the need for guidelines for reporting on this progress (Article 3.2 of the Kyoto Protocol) for SBSTA 14, with a view to have a further consideration at CoP-7.

#### **Compliance: consequences of non-compliance with Article 3.1**

- ❖ Parties decide that consequences for non-compliance with Article 3.1 should be agreed in advance and should not be subject to the discretion of the enforcement branch.
- ❖ Parties recognize that subtraction of excess emissions from a party's assigned amount for the subsequent commitment period against an incentive ~~penalty~~ rate guarantees environmental integrity, provided that the adoption and the entry into force of the emission commitments for subsequent commitment periods are timely.
- ❖ Parties note that incentive ~~penalty~~ rates will be an essential element of the compliance system. Although they will partly serve as an interest rate for the delays in the achievement of emission commitments, they should also be an incentive to comply and they should, therefore, be set at a relatively high level that discourages delay.
- ❖ Parties decide that emission commitments for the second commitment period should be adopted before the beginning of the first commitment period.
- ❖ Parties decide that, if a Party has been determined as being in non compliance with its commitments under Article 3.1, the enforcement branch should apply the following consequences:
  - Subtraction of excess emissions from the assigned amount of the subsequent commitment period.

- ~~Penalty-Incentive rate should be set at [1.5] 1.3 (USA) / 1.1 (Japan) / 1.0 (Australia) / progressive rate up to 1.3 (Canada). - and be increased by 0.25 after the subsequent commitment period if the Party concerned is not in compliance at the end of the subsequent commitment period.~~
- Parties concerned shall after determination of non compliance, develop and submit to the enforcement branch ~~for its approval~~ a compliance action plan setting out how they propose to meet their commitments in the subsequent commitment period.

### **Compliance: differentiation between Parties (in particular Annex I and non-Annex I)**

- ❖ Parties decide that the mandate of the enforcement branch will be limited to obligations that are incumbent on Annex I Parties.
- ❖ There will be no eligibility requirements for non-Annex I Parties in respect of their participation in the CDM, recognizing that only Parties can participate in the CDM that have ratified the Kyoto Protocol and meet commitments under Article 12 of the Convention taking into account the availability of financial resources.
- ❖ There will be no differentiation between Annex I Parties and non-Annex I Parties in respect of the application of consequences by the facilitative branch.

### **Compliance: relationship between the COP/MOP and the Compliance Committee**

- ❖ Parties decide that the role of the COP/MOP should be limited to giving general policy guidance to the Compliance Committee and that it should not intervene in individual cases.
- ❖ Parties decide that there is no need for an appeals procedure.

### **Mandates enforcement branch and facilitative branch**

- ❖ Parties decide that the mandate of the enforcement branch covers quantitative emission commitments, eligibility requirements under Articles 6, 12 (only Annex I Parties) and 17.
- ❖ All other cases ~~of non-compliance~~ fall within the mandate of the facilitative branch, including Articles 2.3, 3.14, 5.1, 7.1, 7.2, 10 and 11, taking into account the character of commitments for Annex I and Non Annex I Parties.
- ❖ The facilitative branch shall be responsible for providing advice, facilitation to parties in implementing the Kyoto Protocol and promoting compliance of Parties with their commitments under the Protocol.

### **Compliance: composition of the Compliance Committee**

- ❖ Parties decide to establish a Compliance Committee, which shall function through two branches namely a facilitative branch and an enforcement branch.

#### *Facilitative branch*

- ~~□ Parties decide that the balance in the facilitative branch will be in accordance with current UNFCCC practices (equitable geographical representation of the five UN regional groups, taking into account interest groups as reflected by the current practice in the UNFCCC Bureau).~~
- ❖ ~~Equal numbers of members from each of the five UN regional groups, plus one representative from the group of small island developing States.~~
- ❖ The facilitative branch shall consist of 11 members, the majority nominated by Annex I Parties.
- ❖ Facilitative branch members shall make every effort to reach agreement on any proposed decision by consensus. Any decision shall, as a last resort, be adopted by a three-fourths

majority vote of the members present and voting at the meeting, including a majority in Annex I and non-Annex I, plus a double majority of Annex I Parties.

*Enforcement branch*

- ~~Parties decide that the balance in the enforcement branch will be primarily experts nominated by Annex I Parties~~ in accordance with current UNFCCC practices (equitable geographical representation of the five UN regional groupings, taking into account the interest groups as reflected by the current practice in the UNFCCC Bureau).
- ~~Equal numbers of members from each of the five UN regional groups, plus one representative from the group of small island developing States.~~
- ❖ The enforcement branch shall consist of ~~11~~ 5 members nominated by Annex I Parties.
- ❖ Enforcement branch members shall make every effort to reach agreement on any proposed decision by consensus. Any decision shall as a last resort be adopted by a:
  - Three-fourths majority vote of the members present and voting at the meeting
  - ~~Double majority (majority as a whole and in annex I and non annex I).~~
  -

**Compliance: Legal basis, the form of adoption of the final result on compliance**

- ❖ Parties decide that the adoption of the compliance system, including binding consequences, should be legally based on:
  - An agreement supplementing the Kyoto Protocol prior to its entry into force

( Japan –delete this section or replace with ‘adopt by CoP/MoP decision’ / Canada and US ok)

SUBMISSION NO. 26: UZBEKISTAN

***Box A. Capacity building, technology transfer,  
Implementation of Articles 4.8/4.9; 3.14, finance***

**Funding mechanisms and guidance to the GEF**

- Parties have reached general agreement on frameworks for technology transfer, capacity building, adaptation and impacts of response measures.
- ***Annex II Parties express their intent to seek a means, including augmenting their bilateral programs, a significant increase in funding for international climate change related activities, recalling, inter alia, Article 4.3 of the Convention and other new funds.***
- ***Annex II Parties have also expressed their support for a successful replenishment of the GEF and commitment to ensure that the GEF become more responsive to the needs and priorities of developing countries and transition economies countries, not in included to Annex I. Parties welcomes a voluntary contributions of international organizations in additional funding of the GEF. Ownership and “country-drivenness” in GEF projects should be enhanced. The scope of activities funded by the GEF should also be broadened. GEF procedures and policies should be streamlined.***

Adaptation fund

Parties decide to create a new fund under ~~the COP/MOP GEF~~: the adaptation fund. Separate guidance will be given to the fund and special consideration will be given to the needs of the LDCs and SIDs.

- An adaptation fund ~~shall~~ ***will*** be established under ~~the COP/MOP GEF~~ as a trust fund.
- The implementation of concrete adaptation projects in non-Annex I Parties will be financed (stage III activities). ***Finance will be generated by share of proceeds on the CDM ([X] % 2% of the CERs generated by a project).*** Projects will be implemented by ~~the UN specialized implementing agencies~~ ***the UN specialized implementing agencies.***
- The CDM Executive Board will manage the fund. The Board shall function under the guidance of, and be accountable to, ~~the COP/MOP~~. Such guidance will be given by COP/MOP on programs, priorities and eligibility criteria for funding of adaptation activities.
- ~~The adaptation following~~ activities will be included ***in the climate depended*** category of adaptation activities: ***water resources management, prevention avoidance of deforestation, land management, agriculture, integrated coastal zone management,*** combating land degradation and desertification, ***and sea-level rise.***
- ***UN specialized agencies shall be the trustee of this fund.***

**Special Fund (Convention fund)**

Parties decide to create a new ***Special Fund for climate change activities.*** ~~The special guidance shall be given to the fund of COP.~~ and special consideration will be given to the needs of the LDCs and SIDs.

- ~~The Special Fund shall be a separate entity under the Convention.~~ ~~The Convention fund will be a special window under the GEF.~~
- Under this ~~Special Fund window~~, new and additional funding will be made available by Annex II Parties for activities in developing countries: technology transfer and technical support, capacity building related to climate change, specific CDM capacity building, national programs containing mitigation measures, assistance with economic diversification. New and additional funding will also be made available for capacity building in ~~Annex I~~ Parties with economies in transition, in

*included and not included in Annex I.*

- Sources of funding will be ***new and additional mandatory contribution by Annex II Parties***:
  1. ***special*** ~~third~~ replenishment ;
  2. voluntary contributions by Annex II Parties;
  3. Annex II Parties will transfer [X] percent of their initial assigned amount to the registry of the fund. Annex I Parties can acquire these units, on the basis of Article 17, for the purpose of meeting their commitments of Article 3.1;
  4. ODA.
- ~~— The existing GEF council will manage the fund. The ***Special Fund*** shall function under special guidance of, and be accountable to, the COP. This will ensure that the GEF becomes more responsiveness to the needs and priorities of developing countries. Ownership and "country-driven ness" in GEF projects will be enhanced. The scope of activities funded by the GEF will also be broadened. GEF procedures and policies will be streamlined.~~

Resources

In addition to the Adaptation and the ~~***Special Convention***~~ Fund Parties agree to increase resources for climate change funding, through other channels. They agree that the sum total ***of new and additional financing to be provided by Annex II Parties on a grant or concessional basis*** should reach the level of one billion US\$ on an annual basis, as soon as possible, but not later than in the year 2005. If resources ***referred above*** in 2005 would be less than one billion US\$ ***on an annual average basis between 2000 and 2005***, Parties agree to apply a levy on article 6 (Joint Implementation) and /or article 17 (emission trading) ***to the extent of fully covering the balance of the unfulfilled commitment referred above.***

***The following criteria shall apply to all funds and funding mechanisms/entities under the Convention and the Protocol: new and additional resources, on a grant or concessional basis, adequacy, predictability, agreed full costs for Article 12.1 activities and agreed full incremental costs to other Article 4.1 activities.***

Climate Resources Committee

Parties decide to establish ***as a subsidiary body of the COP*** a Climate Resources Committee at COP7, with the following mandate:

- ***To review the sufficiency of financing and institutional arrangements for climate change.***
- To give policy advice to existing financing channels and institutions such as the GEF, Regional Development banks, the World Bank, UNDP and other multilateral institutions. The advice will be focused on:
  - Increasing climate funding
  - Mainstreaming ***on COP priorities***
  - Monitoring and assessment

Capacity building

Parties decide to establish a framework to guide capacity building activities related to the implementation of the Convention and effective participation in the Kyoto Protocol, in order to assist non-Annex II

Parties. (See document Draft Decision FCCC/SB/2000/CRP.16 and FCCC/SB/2000/CRP.17)

### **Technology transfer**

- ***Parties decide to adopt the framework for meaningful and effective implementation of Article 4.5 of the Convention [Annex....].***
- Parties decide to establish an intergovernmental consultative group of technical and scientific experts on technology transfer under the SBSTA The group will:
  - > Facilitate the exchange and review of information by creating ***an information*** a clearing house and national, regional ***and subregional*** technology ***transfer information*** centers;
  - > ***Evaluation, assessment, review and reporting of the progress of technology transfer in relation to article 4.5.***
    - Advise SBSTA on further actions to be taken.
    - > Focus on ways and means to address the barriers for technology transfer as identified in the IPCC special report on technology transfer
    - Be composed on the basis of equal geographical distribution ***based on existing UN groupings.***
- SBSTA will review the group's work on a regular basis, consider its advice and if necessary request the COP to take any further action, including inter alia programs and priorities for financing of activities.

### **Adverse effects on climate change**

***Encourages Parties not included in Annex I to the Convention to provide information including for their national communications and any other relevant information sources on their specific needs and concerns from the adverse effects of climate change.***

~~Actions to be taken by Annex II Parties include~~ ***are encouraged to support the following actions:***

- < Pilot or demonstration projects to show how adaptation planning and assessment can be practically translated into projects and integrated into national policy and sustainable development planning. Non-Annex I Party national communications, other relevant sources and the staged approach endorsed by the COP will serve as a basis.
- < Adaptation projects, when sufficient information is available to warrant such activities, inter alia, in the areas of water resources management, land management, agriculture, health, infrastructure development, ecosystems, and integrated coastal zone management
- > Improved monitoring of diseases and disease control and prevention for Parties affected by climate change
- < Avoidance of deforestation and prevention of land degradation, insofar as these activities are related to climate change
- > Strengthening and establishing national and regional centers and information networks for rapid response to extreme weather events, utilizing information technology as much as possible

### **Actions to address impacts of response measures (Article 3.14)**

***Each Annex I Party and other Parties decides to report in their national communications and national inventory report: Annex I Parties and other Parties in a position to do so decide to report in their national communications on:***

- ~~The efforts to limit~~ ***What actions they have taken to address*** the adverse social, environmental and economic impacts of the policies and measures they have adopted or are planning with the aim of addressing climate change, such as: reducing or phasing out market distorting instruments (e.g. coal subsidies) and reducing or phasing out the

- use of high emission energy carriers
- The national communications will be reviewed under the Kyoto Protocol (Article 8). A certain degree of flexibility shall be allowed to Parties included in Annex I undergoing the process of transition to a market economy.

#### **Actions to address impacts of response measures (Article 4.8)**

- Annex II Parties ~~will~~ **shall** assist non-Annex I Parties adversely affected by response measures through concrete actions based on further methodological work in the field of technology transfer, capacity building, economic diversification, increasing energy efficiency in fossil fuel production, advanced fossil fuel technologies (including carbon capture and storage)
- ~~— Developing country Parties will report on their specific needs and concerns arising from the implementation of response measures, effectively implementing the guidelines for national communications.~~
- ***Encourages non-Annex I Parties to provide information in their national communications and/or the relevant reports on their specific needs and concerns arising from the impact of the implementation of response measures.***

#### **Specific needs of the least developed countries (LDCs including SIDS)**

- ~~— A separate work programme will be established for LDCs to be financed by the GEF, focussing on:
  - ~~— Early launch of vulnerability and adaptation needs assessments, including capacity building and technical assistance~~
  - ~~— Development of national adaptation programmes of action~~
  - ~~— Priority for implementation of concrete adaptation projects. Disaster relief, avoidance of deforestation and prevention of land degradation may be included.~~
  - ~~— Establishment of an LDC group of experts to assist in national adaptation programmes of action~~~~
- ~~— To encourage a greater flow of CDM projects to the LDCs, CDM projects in LDCs will be exempt from the share of proceeds for adaptation. The implementation of 'small scale CDM projects' will also be promoted~~

### ***Box B. Mechanisms***

#### **COP/MOP <•> Executive Board**

##### **A. Composition of the Executive Board of CDM**

- Parties agree that the composition of the Executive Board is an essential element in ensuring integrity, credibility and efficient operationalisation of the system. ~~Parties therefore decide on a balanced approach in composition and voting procedures.~~ ***The balance in the Executive Board will be in accordance with current UNFCCC practices*** (equitable geographical representation of the five UN regional groupings, taking into account the interest groups as reflected by the current practice in the UNFCCC Bureau).
- ***The Executive Board shall consist two numbers of members from each of the five UN regional groups, plus one representative from the group of small island developing States (11 members), plus 5 members from Annex I Parties and 5 members from non-Annex I Parties.***

- Executive Board members shall make every effort to reach agreement on any decision by consensus. Any decision shall as a last resort be adopted by a three-fourths majority vote of the members present and voting at the meeting.

***B. Decision-making power of the COP/MOP vis-a-vis the Executive Board***

- The Executive Board shall be subject to the authority and guidance of, and be accountable to, the COP/MOP. ***The Executive Board shall make decisions on a provisional basis, pending adoption of the decisions by COP/MOP.***

***C. Institutions for a prompt start for the CDM***

- Parties decide that a prompt start for the CDM will be operationalised by electing the Executive Board. The Executive Board will be elected ~~at the next session of the subsidiary bodies~~ ***at same as COP adopts the rules for Article 17 and recommended guidelines for Article 6 and modalities and procedures for Article 12.***
- The Executive Board will be served by the UNFCCC secretariat.
- Appropriate resources shall ~~will~~ be made available for the prompt start of the CDM.

**Eligibility of project activities under the CDM**

- Parties recognize that it is up to the *host* Party's discretion to judge whether a project activity is in line with its national strategy on sustainable development.
- ~~Annex I Parties will declare that they will refrain from using nuclear facilities for generating certified emission reductions under the CDM.~~
- Parties decide that because of their contribution to the ultimate objective of the convention and to sustainable development, the following activities should be given priority and will have expedited consideration within the rules, modalities and procedures of the CDM:
  - renewable energy (inter alia small scale hydro)
  - energy efficiency improvements
- Under the guidance of COP/MOP, the Executive Board shall further develop rules and modalities for the operationalisation of this decision.
- ***Public funding of a CDM project should be additional to ODA and other financial commitments.***

**Supplementarity**

- Annex I Parties shall meet their emission commitments primarily through domestic action since 1990. Each Party's use of the mechanisms under Article 6,12 and 17 collectively shall not exceed [X] % of its assigned amount pursuant to their quantified emission limitation and reduction commitments as inscribed in Annex B. Compliance with this principle will be assessed by the facilitative branch of the compliance committee on the basis of qualitative and quantified information, reported in national communications and reviewed under Article 8. The facilitative branch shall advise on how to ensure the effective implementation of this provision. A first assessment should be reported in the fourth national communications of Annex I Parties due in 2005.

**Trading modalities and liability**

- Parties agree that Article 17 provides opportunities for Parties to fulfill their commitments in a cost-effective way. Parties also recognize that reporting, review and a strong and enforceable



compliance regime are not sufficient to prevent Parties from **overtransferring** ~~overselling~~, thereby potentially endangering the environmental integrity of the system.

- ***Eligibility shall be demonstrated by transferring and acquiring Parties before trading. Parties must demonstrate compliance of their Articles 5 and 7 commitments.***
- Parties therefore decide that Annex B Parties shall retain a portion of their assigned amounts in their national registries specific to that commitment period, This portion shall be **[X]** ~~70~~ percent of their assigned amounts or the portion determined on the basis of projected or recent emissions.
- After the annual review of each Party's emissions data, the portion of assigned amount that must be retained shall be recalculated and, if necessary, adjusted **by decision of COP**.
- ***A share of the proceeds based on transactions under Article 17 to assist developing country Parties that are particularly vulnerable, as listed in Article 4.8 of the Convention to meet the cost of adaptation.***
- ***Environmental and economic dimensions of the use of the revenues from net international emission transfers arising from emissions trading shall be considered at COP 7.***

### **Fungibility**

- Parties should protect the climate system for the benefit of present and future generations of human land, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities. Accordingly, the developed country Parties should take the lead in combating climate change and the adverse effects thereof. Parties affirm that in their actions to achieve the purpose of the mechanisms. Parties shall be guided by Article 2 of the Convention and the principles contained in Article 3 of the Convention.
- Parties note 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 developments needs, ***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 action with a view to reducing per capita inequities in emissions between developed and developing country Parties.***
- Parties recognize that the Kyoto Protocol has not created or bestowed – on Parties included in Annex I to the Convention and in Annex B to the Protocol - any right, any or entitlement to emissions of any kind in the pursuance of Articles 3,6, 12, 17 of the Kyoto Protocol which affects the consideration or decision-making on subsequent commitments. Parties recognize that the consideration of such commitments should be based on equitable criteria, common but differentiated responsibilities and respective capabilities.
- Parties note that emissions reduction units (under 'joint implementation ") and parts of an assigned amount (under emissions trading) could be added to, or subtracted from, the assigned amount of a Party, ***without altering any Party's assigned amount.*** Parties agree that certified emissions reduction units (CDM) could be added to the assigned amount of a Party and could be used for the purpose of contributing to compliance with the quantified emission limitation and reduction commitments in Article 3 without altering that Party's assigned amount pursuant to its commitments inscribed in Annex B.
- ~~Parties decide that emission reduction units and parts of assigned amount" may be exchanged according to the rules and procedures to be established by the COP/MOP.~~

### **Promotion of geographic distribution of CDM projects**

- Parties agree that there should be opportunities for all Parties to participate in the CDM and decide that an equitable of CDM projects will be fostered. Therefore standardized baselines, which are

based on an appropriate Annex I average, may be used for small-scale projects (<XMw) and renewable energy projects (<XMw). The Executive Board should ~~is asked to~~ elaborate on and make recommendations on preferential treatment of these specific project types.

- Parties decide to foster LDC participation in the CDM by **giving** special attention will be paid to institutional capacity building for LDCs:
  - CDM projects in LDCs will be exempt from the share of proceeds for adaptation;
  - Public funding of a CDM project should be additional to current ODA. **ODA will not be used to purchase CERs under CDM.**

### **Procedures for “joint implementation”**

- Parties note that "joint implementation" takes place among Annex I Parties with greenhouse gas emission limitation and reduction commitments. ***Projects under Article 6 shall follow the same rigorous procedure as provided for under the CDM procedures. Eligibility criteria shall be demonstrated. Compliance with Articles 5 and 7 shall be demonstrated by both acquiring and transferring Parties before acquisitions and transfers.*** Therefore, Parties decide that there is no need for stringent procedures on verification if Parties meet the reporting requirements. Parties note that if Parties do not meet these requirements, they should follow the same rigorous procedure as provided for under the CDM procedures.
- ***A share of the proceeds shall be applied to Article 6 to assist developing country Parties that are particularly vulnerable, as listed in Article 4.8 of the Convention to meet the costs of adaptation, and also for transition economies Parties, not in included Annex I.***

### ***Box C. Land-use, Land-use change and forestry***

### **Definitions for afforestation, reforestation and deforestation under article 3.3**

***Parties decide that LULUCF activities will be based on the following principles:***

- A) ***Any land-use, land-use change and forestry activity carried out in addition to the commitments made under Article 4.1(d) of the Convention for the purposes of determining compliance of the Annex I Parties with their quantitative emission limitation and reduction objectives under the Kyoto Protocol, must not change the global effect of the Kyoto Protocol, which is to mitigate climate change in the first commitment period equivalent to reducing Annex I anthropogenic emissions by sources covered by Annex A to the Kyoto Protocol by an aggregate proportion of at least 5 per cent with reference to their 1990 levels, in accordance with Article 3.1 of the Kyoto Protocol.***
- B) ***For the purposes of determining compliance of Annex I Parties with their quantitative emission limitation and reduction objectives, any land-use change and forestry activity must not result in an increase of anthropogenic emission by sources minus removals by sinks deriving from the application of removals by sinks of carbon dioxide, indirect nitrogen fertilization effects and dynamic age structures.***
- C) ***In view of the impact of climate change on forest and desertification, forest conservation and rehabilitation of degraded vegetation cover are potential climate change adaptation activities, and as such could be included among those activities to benefit from the share of proceeds of the mechanisms of the Protocol intended to meet the cost of adaptation. This is without prejudice to decisions on land-use, land-use change and forestry activities in the mechanisms of the Kyoto Protocol.***

- D) The rules for the inclusion of land-use, land-use change and forestry activities in the accounting of Annex I countries, for purposes of compliance with their commitments under the Kyoto Protocol, must not imply a transfer of such commitments to a future commitment period.*
- E) Carbon removed by land-use, land-use change and forestry activities shall be considered as a temporary removal. Any Annex I Party that makes use of such removal to achieve compliance with its Kyoto Protocol commitment shall continue to be responsible for any subsequent emissions.*
- F) In the methodologies to account for emissions by sources and removals by sinks in the land-use, land-use change and forestry sector, no consideration shall be given to the simple presence of stocks of carbon, in line with the provisions of Article 5.2 of the Kyoto Protocol.*

*COP recommends to COP/MOP the following decisions:*

- Parties agree that for the implementation of Article 3.3, "forest" is defined in accordance with the FAO definition. ~~Parties recognize that there should be certain flexibility in applying the FAO values in order to reflect national circumstances.~~
- Parties decide to establish a process to investigate the *inclusion* ~~feasibility of applying~~ biome-specific forest definitions for future commitment periods *and the preparation of guide*.
- Parties decide that for defining afforestation, reforestation and deforestation the set of IPCC definitions shall be applied. According to the IPCC Special Report, this set of definitions delivers an accounting system that is closest to the actual exchange between lands brought under the system and the atmosphere.

#### **Additional activities and accounting under Article 3.4**

Eligible activities:

- Parties decide *to establish a process under SBSTA to develop a comprehensive set of definitions for that a Party may include* the following activities: grazing land management, cropland management and forest management (~~broadly defined land management activities~~), revegetation/*vegetation degradation*. (~~narrowly defined activity~~).
- *Parties will also decide to establish a process under SBSTA to assess aspects of associated with scale, uncertainties and risk associated with the above-listed activities.*

Accounting:

- Parties recognize that the scale of the activities applied could lead to major modifications in the effort for Parties to meet the article 3 commitments.
- Therefore Parties decide that the contribution of additional activities under article 3.4, towards meeting a Party's target in the first commitment period shall be limited to *[X]% from [XX]%* ~~3%~~ of the Party's base year emissions.
- In addition Parties decide that accountings for additional activities shall take place in two distinguished intervals:

*First interval (full crediting up to level of 3.3 debit)*

- Parties recognize the unintended outcome of article 3.3, namely that countries who have an overall increase in their total forest carbon stock, may nevertheless have their assigned amounts reduced because of accounting and definitional conventions under article 3.3.
- Therefore, Parties decide that Parties may fully account for carbon stock changes and net GHG emissions in areas under forest management up to a level that is equal to the net debit incurred

under the provisions of article 3.3, under the condition that the total forest carbon stock change since 1990 in that country compensates the net debit incurred under the provisions of article 3.3. This first interval shall not be more than 30 Mt CO<sub>2</sub>.

*Second interval (discounted crediting in remaining interval to factor out non-direct human included effects and to address uncertainty)*

- Parties decide that carbon stock changes accounted for in accordance with the provisions of article 3.4 shall, for the broadly defined management activities, exclude the effects of
  - indirect nitrogen deposition,
  - elevated CO<sub>2</sub> concentrations,
  - other indirect effects and,
  - (for forest ecosystems) the dynamic effects of age structure resulting from management activities before 1990
- Therefore, Parties shall apply a reduction of 30% to the net carbon stock changes and net GHG emissions that result from additional cropland and grazing land management activities and of 85% to the net carbon stock changes and net GHG emissions that result from additional forest management.

#### **Additional activities under 3.4 in the second and consecutive commitment periods**

- Parties decide that the COP/MOP shall, prior to the fixing of emission commitments for subsequent commitment periods, review the list of agreed additional activities for use in second and subsequent commitment periods, together with the rules, modalities and guidelines for their accounting.
- Parties further decide that accounting of carbon stock changes and net GHG emissions shall be limited to direct human induced changes on carbon stocks and net GHG emissions. Parties therefore establish a process to periodically review the approach taken with respect to factoring out, taking into account methodological work by the IPCC on this matter.

#### **Implementation of Article 3.7**

- Parties note that, for those Parties for whom land-use change and forestry constituted a net source in 1990, emissions and removals resulting from land-use change should be included in the 1990 emissions base year in accordance with the provisions of Article 3.7.
- Parties decide that eligibility to make use of this provision will be determined on the basis of a reviewed national inventory review *by Expert Review Team as established under Article 8*.

#### **LULUCF under the Clean Development Mechanism**

- Parties agree that LULUCF activities can contribute to the two-fold purpose of the CDM. Parties therefore decide to include afforestation and reforestation under the CDM. However they also recognize the special concerns, which arise from implementing these projects.
- Parties decide that activities, preventing deforestation and land degradation, will not be eligible as credit generating projects under the CDM. However, these activities will be labeled as *potential priority* projects to be funded under the adaptation fund in order to address drought, desertification and watershed protection, forest conservation, restoration of native forest ecosystems, restoration of salinised soils.

~~Parties recognize that accounting modalities and definitions for Article 3.3 may need to be modified, and that the issues of non-permanence, social and environmental effects, leakage, additionality and uncertainty should be properly addressed. LULUCF projects would also need to~~

~~be in conformity with the objectives of other multilateral environmental agreements.~~

- Parties therefore decide to establish a process under the SBSTA *at its fifteenth session* to develop rules and modalities taking into account further methodological work by IPCC, ~~where necessary~~, to deal with these issues.
- *No afforestation and reforestation activities will be eligible under the CDM until the SBSTA and the IPCC have completed their methodological work described in paragraph 3 and have made recommendations in this regard.*
- *No afforestation and reforestation activities will be eligible under the CDM if they result in the destruction of natural forests or the loss of biological diversity.*
- *No more than [X]% of CERs validated, will come from LULUCF activities.*

**Box D. Policies and Measures, Compliance, Accounting,  
Reporting and Review**

**Policies and measures**

- Parties decide to continue exchange of information on Policies and Measures.
- Parties decide to invite submissions by Annex I Parties on Ac meaning of demonstrable progress and the need for guidelines reporting on this progress (Article 3.2 of the Kyoto Protocol) for SBSTA 14, with a view to have a further consideration at CoP-7.

**Compliance: consequences of non-compliance with Article 3.1**

- *Parties agreed that where the enforcement branch has determined that an Annex I Party is not in compliance with Article 3.1, it shall suspend the eligibility of that Party to participate under Article 6, 12 and 17.*
- Parties decide that consequences for non-compliance with Article 3.1 should be agreed in advance and should not be subject to the discretion of the enforcement branch.
- Parties recognize that subtraction of excess emissions from a party's assigned amount for the subsequent commitment period against a penalty rate guarantees environmental integrity, provided that the adoption and the entry into force of the emission commitments for subsequent commitment periods are timely.
- Parties *agreed* ~~note~~ that penalty rates will be an essential element of the compliance system. Although they will partly serve as an interest rate for the delays in the achievement of emission commitments, they should also be an incentive to comply and they should, therefore, be set at a relatively high level.
- Parties decide that emission commitments for the second commitment period should be adopted before the beginning of the first commitment period
- Parties decide that, if a Party has been determined as being in non compliance with its commitments under Article 3.1, the enforcement branch should apply the following consequences:
  - > Subtraction of excess emissions from the assigned amount of the subsequent commitment period.

- Penalty rate should be set at 1.5 and be increased by 0.25 after the subsequent commitment period *if the Party concerned is not in compliance at the end of the subsequent commitment period.*
- Parties concerned shall after determination of non compliance, develop and submit to the enforcement branch for its approval a compliance action plan setting out how they propose to meet their commitments in the subsequent commitment period.

#### **Compliance: differentiation between Parties ( in particular Annex I and non-Annex I)**

- Parties decide that the mandate of the enforcement branch will be limited to obligations that are incumbent ~~of~~ *on* Annex I Parties *only*.
- There will be no eligibility requirements for non-Annex I Parties in respect of their participation in the CDM, recognizing that only Parties can participate in the CDM that have ratified the Kyoto Protocol and meet commitments under Article 12 of the Convention taking into account the availability of financial resources.
- *Compliance Committee shall take into account any degree of flexibility allowed by the COP/MOP pursuant to Article 3.6 of the Protocol, taking into account Article 4.6 of the Convention, to the Parties included in Annex I undergoing the process of transition to market economy.*
- ~~There will be no differentiation between Annex I Parties and non-Annex I Parties in respect of the application of consequences by the facilitative branch.~~

#### **Compliance: relationship between the COP/MOP and the Compliance Committee**

- *Parties agreed that the Compliance Committee shall report to the COP/MOP.*
- Parties decide that the role of the COP/MOP should be limited to giving general policy guidance to the Compliance Committee and that it should not intervene in individual cases.
- Parties *have the right on* ~~decide that there is no need for~~ an appeals procedure.

#### **Mandates enforcement branch and facilitative branch**

- Parties decide that the mandate of the enforcement branch covers quantitative emission commitments, eligibility requirements under Articles 6, 12 (only Annex I Parties) and 17.
- All other cases of non-compliance fall within the mandate of the facilitative branch, including Articles 2.3,3.14,5.1,7.1,7.2, 10 and II, taking into account the character of commitments for Annex I and Non Annex I Parties.
- The facilitative branch shall be responsible for providing advice, facilitation to parties in implementing the Kyoto Protocol and promoting compliance of Parties with their commitments under the Protocol, *taking into account the principle of common but differentiated responsibilities and capabilities of Parties included in Annex I and Parties not included in Annex I.*

#### **Compliance: composition of the Compliance Committee**

- Parties decide to establish a Compliance Committee, which shall function through *a plenary and* two branches namely a facilitative branch and an enforcement branch.

- *The Parties agreed that the Committee will have two co-chairpersons, one from Annex I Parties and the other from non-Annex I Parties and the chairmanship of each branch will rotate between the Parties in such a manner that the co-chairs will never be only from one group of Parties.*
- *The Parties agreed that the Committee will have a plenary that will perform certain functions in such a manner that it will not hamper the efficient functioning of the branches. The plenary will perform specific functions as outlined in paragraph 13(c) to (h) of document CRP 15/Rev 2. The plenary will also allocate questions to the appropriate branches.*

*Facilitative branch*

- Parties decide that the balance in the facilitative branch will be in accordance with current UNFCCC practices (equitable geographical representation of the five UN regional groups, taking into account interest groups as reflected by the current practice in the UNFCCC Bureau).
- Equal numbers of members from each of the five UN regional groups, plus one representative from the group of small island developing States.
- The facilitative branch shall consist of 11 members.
- Facilitative branch members shall make every effort to reach agreement on any proposed decision by consensus. Any decision shall, as a last resort, be adopted by a three-fourths majority vote of the members present and voting at the meeting.

*Enforcement branch*

- Parties decide that the balance in the enforcement branch will be in accordance with current UNFCCC practices (equitable geographical representation of the five UN regional groupings, taking into account the interest groups as reflected by the current practice in the UNFCCC Bureau).
- Equal numbers of members from each of the 6ve UN regional groups, plus one representative from the group of small island developing States.
- The enforcement branch shall consist of II members.
- Enforcement branch members shall make every effort to reach agreement on any proposed decision by consensus. *Any decision shall as a last resort be adopted by a:*
  - *Three-fourths majority vote of the members present and voting at the meeting.*
  - ~~Double majority (majority as a whole and in annex I and non-Annex I).~~

**Compliance: Legal basis, the form of adoption of the final result on compliance**

- Parties decide that the adoption of the compliance system, including binding consequences, should be legally based on:
  - An agreement supplementing the Kyoto Protocol prior to its entry into force.

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