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Agenda item 3 (b) (i) and (iii)

**IMPLEMENTATION OF THE BUENOS AIRES PLAN OF ACTION: ADOPTION
OF THE DECISIONS GIVING EFFECT TO THE BONN AGREEMENTS**

**DRAFT DECISIONS FORWARDED FOR ELABORATION,
COMPLETION AND ADOPTION**

**NATIONAL SYSTEMS, ADJUSTMENTS AND GUIDELINES UNDER
ARTICLES 5, 7 AND 8 OF THE KYOTO PROTOCOL**

**WORK PROGRAMME ON MECHANISMS
(DECISIONS 7/CP.4 AND 14/CP.5)**

Proposal by the Co-Facilitators

I. MECHANISMS UNDER ARTICLES 6, 12 AND 17

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

1. Decide on the relationship between the compliance regime and the mechanisms in terms of the eligibility of Parties included in Annex I to participate in them

Proposal by the Co-facilitators (see document FCCC/CP/2001/CRP.16):

- In draft decision -/CMP.1 (Mechanisms), page 4, replace paragraph 5 with the following:

“*Decides* that the eligibility to participate in the mechanisms by a Party included in Annex I shall be dependent on its compliance with methodological and reporting requirements under Article 5, paragraphs 1 and 2, and Article 7, paragraphs 1 and 4, of the Kyoto Protocol. Oversight of this provision will be provided by the enforcement branch of the compliance committee, in accordance with the procedures and mechanisms relating to compliance as contained in decision -/CP.7 (Compliance), assuming approval of such procedures and mechanisms by the Conference of the Parties serving as the meeting of the Parties in decision form in addition to any amendment entailing legally binding consequences, noting that it is the prerogative of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol to decide on the legal form of the procedures and mechanisms relating to compliance.”

- In the annexes to draft decisions -/CMP.1 (Article 6), -/CMP.1 (Article 12) and -/CMP.1 (Article 17), delete paragraphs 21 (b) at page 11, 31 (b) at page 30 and 2 (b) in page 49, respectively.

2. Decide on the relationship between the reporting of LULUCF data and the mechanisms in terms of the eligibility of Parties included in Annex I to participate in them

Proposal by the Co-facilitators (see document FCCC/CP/2001/CRP.16):

- In the annexes to draft decisions -/CMP.1 (Article 6), -/CMP.1 (Article 12) and -/CMP.1 (Article 17), replace paragraphs 21 (f) at page 11, 31 (f) at page 30 and 2 (f) in page 50, respectively, with the following text:

“{The Party included in Annex I} has submitted annually the most recent required inventory, in accordance with Article 5, paragraph 2, and Article 7, paragraph 1, and the requirements in the guidelines decided thereunder, including the national inventory report and the common reporting format. For the first commitment period, the quality assessment needed for the purpose of determining eligibility to use the mechanisms shall be limited to the parts of the inventory pertaining to emissions of greenhouse gases from sources/sector categories from Annex A to the Kyoto Protocol and the submission of the annual inventory on sinks.”

3. Decide whether establishing and maintaining the “commitment period reserve” is an eligibility requirement to participate in the mechanisms for the Parties included in Annex I

Proposal by the Co-facilitators:

- In document FCCC/CP/2001/CRP.16: To stay with the co-chairs’ proposal.

4. Decide whether the term “shall” or the term “should” is to be used in paragraph 8 of the text on emissions trading related to the commitment period reserve

Proposal by the Co-facilitators: (See document FCCC/CP/2001/CRP.16):

8. Upon establishment of its assigned amount pursuant to Article 3, paragraphs 7 and 8, and until expiration of the additional period for fulfilling commitments, a Party shall not make a transfer which would result in these holdings being below the required level of the commitment period reserve.

5. Decide on the composition of the Article 6 supervisory committee

Proposal by the Co-facilitators (based on the “Note by the Co-Chairmen of the Negotiating Group on Mechanisms”, as contained in document FCCC/CP/2001/CRP.16, page 5):

4. The Article 6 supervisory committee shall comprise ten members from Parties to the Kyoto Protocol, as follows:

- (a) Three members from Parties included in Annex I that are undergoing the process of transition to a market economy;
- (b) Three members from Parties included in Annex I not referred to in subparagraph (a) above;
- (c) Three members from Parties not included in Annex I;
- (d) One member from the small island developing States.

6. Decide on whether the executive board or the COP/MOP approve new methodologies

Proposal by the Co-facilitators (based on the “Note by the Co-Chairmen of the Negotiating Group on Mechanisms”, as contained in document FCCC/CP/2001/CRP.16, pages 5, 32 and 43):

5. The executive board shall supervise the CDM, under the authority and guidance of the COP/MOP, and be fully accountable to the COP/MOP. In this context, the executive board shall:

...

- (c) Report on its activities to each session of the COP/MOP;

(d) Approve new methodologies related to, inter alia, baselines, monitoring plans and project boundaries in accordance with the provisions of Appendix C below.

...

38. ... In the event that the COP/MOP requests the revision of an approved methodology, no CDM project activity may use this methodology. The project participants shall revise the methodology, as appropriate, taking into consideration any guidance received.

...

Appendix C Terms of reference for establishing guidelines on baselines and monitoring methodologies

The executive board, drawing on experts in accordance with the modalities and procedures for a CDM, shall develop and recommend to the COP/MOP, inter alia:

(a) General guidance on methodologies ...

B. Modalities for the accounting of assigned amount under Article 7, paragraph 4, of the Kyoto Protocol (FCCC/CP/2001/L.25)

7. Proposal by the Co-facilitators:

- In the annex to draft decision -/CMP.1 in document FCCC/CP/2001/L.25 (Modalities for the accounting of assigned amount under Article 7, paragraph 4, of the Kyoto Protocol), replace paragraph 26 with the following:

“Where a question of implementation is identified by an expert review team under Article 8 in relation to the calculation of the net removals of greenhouse gases from the activities of a Party under Article 3, paragraph 3 or 4, or where adjustments exceed thresholds to be decided according to paragraph 2 of decision -/CP.7 on guidelines for the preparation of the information required under Article 7 of the Kyoto Protocol, the Party shall not issue the RMUs relating to the reported net removals of anthropogenic greenhouse gases for each activity under Article 3, paragraph 3, and for each elected activity under Article 3, paragraph 4, until the question of implementation is resolved.”

8. Decide whether ERUs, CERs, AAUs and RMUs can be carried over to the next commitment period.

Proposal by the Co-facilitators: Extract from the text on Article 7, paragraph 4, “Proposal by the Co-Chairmen of the Negotiating Group on Mechanisms”, as contained in document FCCC/CP/2001/L.25, paragraph 15 (N.B. Originally this text appeared in paragraph 8 bis of the non-paper by the Co-Chairmen):

15. Each Party included in Annex I may carry over to next commitment period:

(a) Emission reduction units (ERUs), held by that Party up to 2.5 % of that Party’s assigned amount pursuant Article 3, paragraphs 7 and 8;

(b) Certified emission reductions (CERs), held by that Party up to 2.5 % of that Party’s assigned amount pursuant Article 3, paragraph 7 and 8;

- RMUs may not be carried over to the subsequent commitment period.
- AAUs may be carried over without restrictions.

9. Decide whether CERs, ERUs AAUs and RMUs are transferable among Annex I Parties

Proposal by the Co-facilitators: These units are transferable without restriction. *The concerned paragraphs appear in the document on Article 7, paragraph 4 (“Proposal by the Co-Chairmen of the Negotiating Group on Mechanisms”, as contained in FCCC/CP/2001/L.25). Handouts available. (N.B. Originally, these paragraphs appeared in paragraph 8 bis of the non-paper by the Co-Chairmen.)*

10. When should RMUs be issued and cancelled?

Proposal by the Co-facilitators: Extract from the text on Article 7, paragraph 4, “Proposal by the Co-Chairmen of the Negotiating Group on Mechanisms”, as contained in document FCCC/CP/2001/L.25, paragraphs 25 and 32 (N.B. Originally referred to in the non-paper by the Co-Chairmen):

(e) Annually or at the end of the commitment period. The Party elects the period to use for each activity prior to the commitment period.

(f) At the end of the commitment period for all activities.

Note: Issuance and cancellation would occur on the cycle under either option.

11. Decide whether a drafting group should consider the draft decision relating to Article 7, paragraph 4

N.B. The draft decision has not yet been considered in its current form.

Secretariat to prepare a legal and technical review paper for consideration at SB 16.

C. Guidelines for the preparation of the information required under Article 7 of the Kyoto Protocol, draft COP/MOP Decision (Working paper No.3 (2201) / Rev. 1)

12. Proposal by the Co-facilitators:

- Replace paragraph 8 (a) with the following text:

“The Party concerned has failed to submit an annual inventory of anthropogenic emissions by sources and removals by sinks of greenhouse gases not controlled by the Montreal Protocol, including the national inventory report and the common reporting format within six weeks of the submission date.”

II. ARTICLES 5, 7 AND 8 OF THE KYOTO PROTOCOL

Reporting, review and consequences of failure to report information on Article 3.14

- 1. Decide whether the reporting of information under Article 3.14 is a mandatory commitment for Annex I Parties (taking into account that questions of implementation related to Article 3.14 will be considered by the Facilitative Branch).**

From Working paper No. 3 (2001) / Rev.1 (Guidelines under Article 7 of the Kyoto Protocol)

13. Each Party included in Annex I [is requested to] [shall] provide information relating to how it is striving, under Article 3, paragraph 14, of the Kyoto Protocol, to implement its commitments mentioned in Article 3, paragraph 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, paragraphs 8 and 9, of the Convention.

14. Parties included in Annex II, and other Parties included in Annex I that are in a position to do so, [are further requested to] [shall] incorporate information on how they give priority, in implementing their commitments under Article 3, paragraph 14, to the following actions, based on relevant methodologies referred to in paragraph 11 of draft decision - /CMP.1 on Matters relating to Article 3, paragraph 14, of the Kyoto Protocol:

Proposal by the Co-facilitators: Use the word “shall” in both paragraphs

- 2. Decide how information relating to Article 3.14 will be reviewed.**

- [Annually and] [only] during an in-country visit in conjunction with the national communication

Proposal by the Co-facilitators: Use “Annually and during”

Note: If the proposal by the Co-facilitators is agreed, paragraph 8 (f) on the link to losing eligibility to participate in mechanisms (Working Paper No. 3 (2001)/Rev.1) should be deleted.

Reporting information on supplementarity

- 1. Decide whether the reporting of information on supplementarity is a mandatory commitment for Annex I Parties (taking into account that questions of implementation related to supplementarity will be considered by the Facilitative Branch).**

From Working paper No. 3 (2001) / Rev.1 (Guidelines under Article 7 of the Kyoto Protocol)

24. Each Party included in Annex I [shall][is requested to][shall be requested to] provide information on how its use of the mechanisms is supplemental to domestic action, and how its domestic action thus constitutes a significant element of the effort made to meet its quantified limitation and reduction commitments under Article 3, paragraph 1, in accordance with the provisions of decision 5/CP.6.

Proposal by the Co-facilitators: Use the word “shall”.

- 2. Decide whether Annex I Parties have to report information on the equity principle that is stated in the Bonn agreement text.**

From Working paper No. 3 (2001) / Rev.1 (Guidelines under Article 7 of the Kyoto Protocol)

25. [The Party included in Annex I is requested to provide the information on how it is implementing domestic action in accordance with national circumstances and with a view to reducing emissions in a manner conducive to narrowing per capita differences between developed and developing country Parties, while working towards achievement of the ultimate objective of the Convention.]

Proposal by the Co-facilitators: Drop the paragraph and request the secretariat to prepare a report using information contained in national communications from Parties and other relevant sources.

Composition of expert review teams

1. Decide on the principle for selecting national experts to participate in the expert review teams.

From Working Paper No. 4 (2001)/ Rev.2 (Guidelines under Article 8 of the Kyoto Protocol):

- Option 1: The secretariat shall ensure equitable geographical representation of the five United Nations regional groups, taking into account the interest groups as reflected by the current practice in the Bureau of the Conference of the Parties, in the overall composition of the expert review teams.
- Option 2: The secretariat shall ensure a balance of skills and expertise, of environmental and developmental perspectives and the necessary geographical balance among team members.
- Option 3: The secretariat shall select the members of the expert review teams with a view to achieving a balance between experts from Annex I and non-Annex I Parties in the overall composition of the expert review teams, without compromising the selection criteria referred in the paragraph 31 above (*competence criteria*). The secretariat shall make every effort to ensure geographical balance among those experts selected from non-Annex I Parties and among those experts selected from Annex I Parties.

Proposal by the Co-facilitators: Use option 3.

Completion of parts of the guidelines under Articles 7 and 8 that depend on finalisation of the modalities for accounting the assigned amounts under Article 7.4

Guidelines under Article 7: Reporting on assigned amounts and national registries

Guidelines under Article 8: Review of information on assigned amounts and national registries

The parts of the guidelines mentioned above can only be finalised upon completion of the text on modalities for accounting assigned amounts under Article 7.4.

1. Decide how these parts of the guidelines under Articles 7 and 8 should be completed.

- Option 1: Finalise them before the closing session of COP 7
- Option 2: Establish a process through which these parts will be further elaborated during SBSTA 16 and 17 with the aim to recommend a decision on this matter to the COP at its eighth session.

Proposal of Co-facilitators: Option 2