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Agenda item 3 (b) (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**

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

Submissions from Parties

Note by the secretariat

Three submissions have been received on Article 7, paragraph 4, of the Kyoto Protocol. In accordance with the procedure for miscellaneous documents, these submissions* are attached and reproduced in the language in which they were received and without formal editing.

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

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CONTENTS

Paper No.		Page
1.	AUSTRALIA (ON BEHALF OF THE UMBRELLA GROUP) (Submission received 2 November 2001)	3
2.	BELGIUM (ON BEHALF OF THE EUROPEAN UNION) (Submission received 2 November 2001)	19
3.	INDIA (ON BEHALF OF THE GROUP OF 77 AND CHINA) (Submission received 2 November 2001)	32

SUBMISSION NO. 1: AUSTRALIA
(ON BEHALF OF THE UMBRELLA GROUP)

ANNEX II

Modalities for the accounting of assigned amounts under Article 7, paragraph 4, of the
Kyoto Protocol¹

I. ELABORATION OF ASSIGNED AMOUNT

A. Establishment of assigned amount pursuant to Article 3, paragraphs 7 and 8

1. The assigned amount **established** pursuant to Article 3, paragraphs 7 and 8, for the first commitment period, from 2008 to 2012, for each Party included in Annex I with a commitment inscribed in Annex B to the Kyoto Protocol shall be equal to the percentage inscribed for it in Annex B of its aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases, and from the sources, listed in Annex A to the Kyoto Protocol in the base year multiplied by five, taking into account the following:

(a) The base year shall be 1990 except for those Parties undergoing the process of transition to a market economy that have selected a historical base year or period other than 1990, in accordance with Article 3, paragraph 5, and for those Parties that have selected 1995 as the base year for total emissions of hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride, in accordance with Article 3, paragraph 8;

(b) Those Parties for which land-use change and forestry (all emissions by sources and removals by sinks under category 5 of the *Revised 1996 Intergovernmental Panel of Climate Change Guidelines for National Greenhouse Gas Inventories*) constituted a net source of greenhouse gas emissions in 1990 shall include in their 1990 emissions base year or period the aggregate anthropogenic carbon dioxide equivalent emissions by sources minus removals by sinks in 1990 from land-use change ~~(all emissions by sources minus removals by sinks reported in relation to the conversion of forests (deforestation))~~;

(c) Those Parties that have reached an agreement in accordance with Article 4 to fulfil their commitments under Article 3 jointly shall use the respective emission level allocated to each of the Parties in that agreement instead of the percentage inscribed for it in Annex B;

(d) **For Parties that have reached an agreement in accordance with Article 4 to fulfil their commitments under Article 3 jointly the assigned amount calculated pursuant to Article 3, paragraphs 7 and 8 shall not be established and recorded in the database until all parties to the agreement have submitted the report under paragraph 2 below.**

2. Each Party included in Annex I with a commitment inscribed in Annex B shall facilitate the establishment of its assigned amount pursuant to Article 3, paragraphs 7 and 8, for the commitment period and demonstrate its capacity to account for its emissions and assigned

¹ "Article" in these modalities refers to an article of the Kyoto Protocol, unless otherwise specified.

amount. To this end, each Party shall submit a report containing the following information, or references to such information where it has been previously submitted to the secretariat:

(a) Complete inventories of anthropogenic emissions by sources and removals by sinks of greenhouse gases not controlled by the Montreal Protocol for all years from 1990, or other approved base year or period under Article 3, paragraph 5, to the most recent year available, prepared in accordance with Article 5, paragraph 2, and relevant decisions of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP), taking into account any relevant decisions of the Conference of the Parties (COP);

(b) Identification of its selected base year for hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride in accordance with Article 3, paragraph 8;

(c) The agreement under Article 4, where the Party has reached such an agreement to fulfil its commitments under Article 3 jointly with other Parties **and the Parties' respective responsibilities for their performance of their obligations with respect to Articles 5 and 7, including how the Party has calculated its assigned amount pursuant to Article 3, paragraphs 7 and 8;**

(d) Calculation of its assigned amount pursuant to Article 3, paragraphs 7 and 8 on the basis of its inventory of anthropogenic emissions by sources and removals by sinks of greenhouse gases not controlled by the Montreal Protocol;

(e) Calculation of its commitment period reserve in accordance with decision -/CP.6 (emissions trading);

(f) Identification of its selection of **single** minimum values for tree crown cover, land area and tree height for use in accounting for its activities under Article 3, paragraph 3 **and 4**, together with a ~~demonstration~~ **justification** of the consistency of those values with **the information that has been historically reported** to the Food and Agriculture Organization of the United Nations or other international bodies, and in the case of difference, an explanation of why and how such values were chosen, in accordance with decision -/CP.6 (land-use, land-use change and forestry);

(g) Identification of its election of activities under Article 3, paragraph 4, for inclusion in its accounting for the first commitment period, together with **information on how its national inventory system under Article 5, paragraph 1, will identify** ~~documentation of the specific~~ land areas associated with the activities;

(h) **If the Party elects to account for cropland management and/or grazing land management and/or revegetation activities under Article 3, paragraph 4, information on its greenhouse gas emissions by sources and removals by sinks resulting from these activities in the base year for that Party** in accordance with decision -/CP.7 (land-use, land-use change and forestry);

(i) A description of its national system in accordance with Article 5, paragraph 1, reported in accordance with paragraphs **X and Y** of the guidelines for the preparation of the information required under Article 7 of the Kyoto Protocol;

(j) A description of its national registry ~~for recording and tracking its assigned amount~~, reported in accordance with paragraph of the guidelines for the preparation of the information required under Article 7 of the Kyoto Protocol.

3. After review under Article 8 and resolution of any questions of implementation relating to adjustments or assigned amounts, the assigned amount **calculated** pursuant to Article 3, paragraphs 7 and 8, of each Party shall be recorded in the database for the compilation and accounting of emissions and assigned amounts referred to in paragraph 45. Once recorded **in the database**, ~~the a Party's~~ assigned amount pursuant to Article 3, paragraphs 7 and 8, shall be considered established and shall remain fixed for the commitment period.

B. Additions to, and subtractions from, assigned amount established pursuant to Article 3, paragraphs 7 and 8 in accordance with Article 3, paragraphs 3, 4, 10, 11, 12 and 13

4. The additions to the assigned amount **established** pursuant to Article 3, paragraphs 7 and 8, of a Party shall be made where:

(a) The Party's **total acquisitions of** emission reduction units, ~~certified emission reductions or any part of an~~ assigned amount **units** from another Party in accordance with Article 3, paragraphs 10, 11 and 12, and Articles 6, ~~12~~ and 17;

(b) **The Party's total acquisitions less transfers of certified emission reduction units in accordance with Article 3, paragraph 12, and Article 12;**

(c) The **Party's total issuances of assigned amount units where** the activities of a Party under Article 3, paragraphs 3 and/or 4, result in a net sink of greenhouse gases, as reported in accordance with Article 7, reviewed in accordance with Article 8, **including any adjustments applied under Article 5, paragraph 2**, accounted in accordance with the decision -/CP.6 (land-use, land-use change and forestry) and subject to any questions of implementation related to those activities having been resolved;

(d) **The Party carries over from a previous commitment period any ERUs, CERs and AAUs held in its registry that have not been retired or cancelled.**

5. The subtractions from the assigned amount **established** pursuant to Article 3, paragraphs 7 and 8, of a Party, ~~taking account of additions to such assigned amount under paragraph 4 above~~, shall be made where:

(a) The Party's **total transfers of** emission reduction units, ~~certified emission reductions or any part of an~~ assigned amount **units** to another Party in accordance with Article 3, paragraphs 10 and 11, and Articles 6, ~~12~~ and 17;

(b) **The Party's total cancellations of emission reduction units, certified emission reductions or assigned amount units where** the activities of a Party under Article 3, paragraphs 3 and/or 4, result in a net source of greenhouse gas emissions, as reported in accordance with Article 7, reviewed in accordance with Article 8 **including any adjustments applied under Article 5, paragraph 2**, and accounted in accordance with the decision -/CP.6 (land-use, land-use change and forestry);

(c) The Party's **cancellations** emission reduction units, certified emission reductions or ~~any part of an~~ assigned amount **units** so that they may not be used in fulfilment of commitments under Article 3, paragraph 1.

C. Retirement amount

6. **Prior to the expiration of the additional period for fulfilment of commitments for a commitment period, a Party shall set aside (retire)** ~~Each Party included in Annex I with a commitment inscribed in Annex B shall retain a retirement amount for each commitment period by retiring~~ assigned amount **established** pursuant to Article 3, paragraphs 7 and 8, and/or additions to, and subtractions from, such assigned amount under paragraphs 4 and 5 above **equivalent to total aggregate emissions from Annex A sources and gases to be used toward meeting its commitment under Article 3, paragraph 1.** ~~for the purpose of demonstrating its compliance with its commitment under Article 3, paragraph 1. No part of a retirement amount may be subsequently transferred.~~

D. Basis for the assessment of a Party's compliance with its commitments under Article 3, paragraph 1.

7. ~~The assessment, after the first commitment period and the expiration~~ **expiration** of the additional period for fulfilment of commitments, of the compliance of a Party included in Annex I with its commitment under Article 3, paragraph 1, shall be based on the comparison of its ~~retirement amount with its aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases from the sources listed in Annex A to the Kyoto Protocol²~~ **with the Party's retirement amount as recorded in the compilation and accounting database** ~~during the first commitment period as reported in accordance with Article 7 and reviewed in accordance with Article 8, taking into account any adjustments in accordance with Article 5, paragraph 2~~ ~~The aggregate emissions shall include all emissions by sources and removals by sinks of all gases that were taken into account in the establishment of the assigned amount pursuant to Article 3, paragraphs 7 and 8, of that Party.~~

E. Carry-over of assigned amount

~~After expiration of an additional period for fulfilling commitments and where the final compilation and accounting report referred to in paragraph 56 below indicates that the retirement amount of the Party is equivalent to its anthropogenic carbon dioxide equivalent emissions for that commitment period, the Party may add any assigned amount pursuant to Article 3, paragraphs 7 and 8, taking account of additions to, and subtractions from, such assigned amount under paragraphs 4 and 5 above, which has not been retired, to its assigned amount for the subsequent commitment period, in accordance with Article 3, paragraph 13.~~

~~Where the Compliance Committee subsequently determines that the Party is not in compliance with its commitment under Article 3, paragraph 1, in a commitment period, the carry-over of assigned amount to the subsequent commitment period, up to the amount in tonnes of the excess emissions, shall be revoked.~~

²—Including, for Parties for which land-use change and forestry constituted a net source of greenhouse gas emissions in 1990, emissions by sources and removals by sinks from land-use change (all emissions by sources minus removals by sinks reported in relation to the conversion of forests (deforestation)).

II. REGISTRY REQUIREMENTS

A. National registries

8. Each Party included in Annex I with a commitment inscribed in Annex B shall establish and maintain a national registry to ensure the accurate accounting of the issuance, holding, transfer, acquisition, cancellation and retirement of emission reduction units, certified emission reductions and assigned amount units where:

(a) An “emission reduction unit” or “ERU” is a unit issued pursuant to the relevant provisions in these modalities for the accounting of assigned amounts, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(b) A “certified emission reduction” or “CER” is a unit issued pursuant to Article 12 and requirements thereunder, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(c) An “assigned amount unit” or “AAU” is a unit issued pursuant to the relevant provisions in these modalities for the accounting of assigned amounts, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5.

9. Each Party shall designate an organization as its registry administrator to maintain the Party’s national registry. Any two or more such Parties may voluntarily maintain their respective national registries in a consolidated system, provided that each national registry remains distinct.

10. A national registry shall be in the form of a standardized electronic database which contains, *inter alia*, common data elements relevant to the issuance, holding, transfer, acquisition, cancellation and retirement of ERUs, CERs and AAUs. The structure and data formats of national registries shall conform to technical standards to be adopted by the COP/MOP for the purpose of ensuring the accurate, transparent and efficient exchange of data between national registries, the clean development mechanism (CDM) registry and the independent transaction log.

11. Each ERU, CER and AAU shall be held in only one account in one registry at a given time.

12. Each national registry shall have the following accounts:

(a) At least one holding account for the Party;

(b) At least one holding account for each legal entity authorized by the Party to hold ERUs, CERs and/or AAUs under its responsibility;

(c) At least one cancellation account for each commitment period for the purposes of cancelling **ERUs, CERs and/or AAUs** in accordance with paragraph [5 (b) of Part I];

(d) **one cancellation account for each commitment period for the purposes of cancelling ERUs, CERs and/or AAUs in accordance with paragraph [5 (c) of Part I]; and**

(e) one retirement account for each commitment period.

13. Each account within a national registry shall have a unique account number comprising the following elements:

(a) Party identifier: the Party in whose national registry the account is maintained, identified by means of the two-letter country code defined by ISO 3166;

A unique number: a number unique to that account for the Party in whose national registry the account is maintained.

B. Issuance of ERUs and AAUs

14. Each Party included in Annex I with a commitment inscribed in Annex B shall, prior to any transactions taking place for that commitment period, issue its assigned amount pursuant to Article 3, paragraphs 7 and 8, established in accordance with paragraphs [1 to 3 of Part I] above, into its national registry as AAUs.

15. Each AAU shall have a unique serial number comprising the following elements:

(a) Commitment period: the commitment period for which the AAU is issued;

(b) Party of origin: the Party issuing the AAU, identified by means of the two-letter country code defined by ISO 3166;

(c) Type: an element identifying the unit as an AAU;

(d) ~~A unique number~~**Unit**: a number unique to the AAU for the identified commitment period and Party of origin.

16. Each Party included in Annex I shall issue AAUs in its registry equal to the net sink of greenhouse gases from the LULUCF activities under Article 3, paragraphs 3 and/or 4, accounted in accordance with decision -/CP.7 (LULUCF) as reported under Article 7, paragraph 1, and including any adjustments applied under Article 5, paragraph 2, at any time prior to the expiration of the additional period for fulfilment of commitments. Where a question of implementation is raised in relation to calculation of the net sink of greenhouse gases from LULUCF activities under Article 3, paragraphs 3 and/or 4, then the Party shall not issue the AAUs relating to the calculation until the question of implementation is resolved.

17. The type indicator of the serial number shall specify the type of land use, land use change and forestry activity under Article 3, paragraph 4, for which any AAUs have been issued.

18. Each Party included in Annex I shall ensure that the total quantity of AAUs issued into its registry pursuant to Article 3, paragraph 4, for the commitment period do not exceed the limits established for that Party as set out in decision -/CP.7 (LULUCF).

19. ~~Each Party shall issue any additions to its assigned amount pursuant to Article 3, paragraphs 7 and 8, as a result of activities under Article 3, paragraphs 3 and 4, in accordance with paragraph 4 (b) above, into its national registry as AAUs.~~

20. Each Party shall issue ERUs into its national registry by converting AAUs previously issued by that Party and held in its national registry. An AAU shall be converted into an ERU by adding a project identifier to the serial number and changing the type indicator in the serial number to indicate an ERU. Other elements of the serial number of the AAU shall remain unchanged. The project identifier shall identify the specific Article 6 project for which the ERUs are issued, **including whether the relevant reductions in anthropogenic emissions by sources and removals by sinks were verified under the Article 6 supervisory committee**, using a number unique to the project for the Party of origin. ~~Upon such issuance, the Party shall transfer the ERUs to the account or accounts of the project participants and Parties specified in their distribution agreement.~~

C. Transfer and acquisition ERUs, CERs and AAUs between Parties under Articles 6, 12 and 17

21. Each Party included in Annex I with a commitment inscribed in Annex B may transfer and acquire ERUs, CERs and AAUs **in accordance with decisions -/CP.6 (Article 6), -/CP.6 (Article 12) and -/CP.6 (Article 17).**

22. **Each Party included in Annex I shall ensure that its total acquisitions of CERs from afforestation and reforestation activities under Article 12 for the first commitment period do not exceed the limits established for that Party as set out in decision -/CP.7 (LULUCF).**

D. Cancellation, retirement and carryover of ERUs, CERs and AAUs

23. **At any time prior to the expiration of the additional period for fulfilment of commitments**, each Party included in Annex I ~~with a commitment inscribed in Annex B~~ shall cancel AAUs, **ERUs or CERs** equivalent to the net sources of greenhouse gases **resulting from the LULUCF activities under Article 3, paragraphs 3 and 4, accounted in accordance with decision -/CP.7 (LULUCF)** as reported under Article 7, paragraph 1, **including any adjustments applied in accordance with Article 5.2, following Article 8 inventory review and resolution of any questions of implementation related to the reported net source of greenhouse gases under Article 3.3 or 3.4**, ~~in accordance with paragraph 5 (c) of Part I above~~, by transferring AAUs, **ERUs or CERs** to ~~a~~ **the appropriate** cancellation account in its national registry;

24. **A Party M**ay cancel ERUs, CERs and/or AAUs so they cannot be used in fulfilment of commitments under Article 3, paragraph 1, in accordance with paragraph 5 (b) above, by transferring ERUs, CERs and/or AAUs to a cancellation account in its national registry. Legal entities, where authorized by the Party, may also **transfer ERUs, CERs and AAUs to a cancellation account** ~~perform this function~~.

25. **Prior to the expiration of the additional period for fulfilment of commitments**, each Party included in Annex I with a commitment inscribed in Annex B shall retire ERUs, CERs and/or AAUs **valid for that commitment period equal to emissions of the greenhouse gases**

from the sources listed in Annex A to the Kyoto Protocol to use towards meeting its commitment under Article 3, paragraph 1, the purpose of contributing to its retirement amount to be used in fulfilment of its commitment under Article 3, paragraph 1, in accordance with paragraph C. above, by transferring ERUs, CERs and/or AAUs to the retirement account in its national registry.

26. ERUs, CERs and AAUs transferred to cancellation or retirement accounts may not be further transferred. ERUs, CERs and AAUs transferred to cancellation accounts may not be used ~~for the purpose of demonstrating the compliance of~~ **by a Party** to meet its commitment under Article 3, paragraph 1.

27. Each Party included in Annex I with a commitment inscribed in Annex B may carry over **any** ERUs, CERs and AAUs held ~~by that Party~~ **in its registry that have not been retired or cancelled** to the subsequent commitment period, ~~in accordance with paragraph 0 above.~~ Each ERU, CER and/or AAU carried over in this manner shall maintain its original serial number **and shall be valid for the subsequent commitment period.** ERUs, CERs and AAUs of a previous commitment period which have not been carried over in this manner may not be transferred, acquired, cancelled and/or retired after the end of the additional period for fulfilling commitments.

~~Where the compliance committee determines that the Party is not in compliance with its commitment under Article 3, paragraph 1, for a commitment period, ERUs, CERs and/or AAUs previously carried over into the subsequent commitment period, equal to the amount in tonnes of excess emissions, shall be transferred to the retirement account of the Party and for the commitment period for which such non-compliance was determined, in accordance with paragraph 0 above.~~

D. Transaction procedures

28. The secretariat shall establish and maintain an independent transaction log to ~~ensure~~ **verify** the validity of transactions, including the issuance, transfer, **and** acquisition **between registries**, cancellation and retirement of ERUs, CERs and AAUs. The transaction log shall ~~ensure~~ **verify** that each ERU, CER and AAU is held in only one account in one registry at a given time.

29. A Party included in Annex I shall initiate issuance of an AAU by directing its national registry to issue AAUs into a specific account within that registry. The executive board of the CDM shall initiate issuance of a CER by directing the CDM registry to issue CERs into its pending account in accordance with the requirements under Article 12. A Party included in Annex I shall initiate issuance of an ERU by directing its national registry to convert specified AAUs into ERUs within an account of that national registry. Subject to notification by the transaction log that there are no discrepancies pertaining to the issuance, the issuance shall be completed when specific ERUs, CERs or AAUs are recorded in the specified account and, in the case of ERUs, the specified AAUs are removed from the specified account.

30. A Party included in Annex I shall initiate any transfer of ERUs, CERs and/or AAUs **between national registries, including those or into** cancellation ~~and/or~~ retirement accounts, by directing its national registry to transfer specified ERUs, CERs and/or AAUs to a specific

account within that registry or another registry **or into a cancellation or retirement account within its registry**. The executive board of the CDM shall initiate any transfer of CERs **from the CDM registry** by directing ~~the CDM registry~~ it to transfer specified CERs to a specific account within that registry or another registry. Subject to notification by the transaction log that there are no discrepancies pertaining to the transfer, the transfer shall be completed when the specified ERUs, CERs and/or AAUs are removed from the transferring account and are recorded in the acquiring account.

31. Upon the initiation of any issuance, transfer **between registries**, cancellation or retirement of ERUs, CERs and/or AAUs, and prior to the completion of those transactions:

(a) The initiating registry shall create a unique transaction number comprising: the commitment period for which the transaction is proposed; the Party identifier for the Party initiating the transaction (using the two-letter country code defined by ISO 3166); and a number unique to that transaction for the commitment period and initiating Party;

(b) The initiating registry shall send a record of the proposed transaction to the transaction log ~~and or~~, in the case of transfers to another registry, to the acquiring national registry. The record shall include: the transaction number; the transaction type (issuance, transfer, cancellation or retirement, ~~further distinguished in accordance with the categories in paragraphs 4 and 5 of Part I above~~); the serial numbers of the relevant ERUs, CERs or AAUs; and the relevant account numbers. ~~In the case of transfers to another registry, the acquiring registry, subject to its acceptance of the proposed transaction, shall send the record to the transaction log;~~

31bis The transaction log shall **use the information** in the compilation and accounting database and record sent by registries to the transaction log to conduct an automated check to **verify**:

(a) For all transactions, that there is ~~are~~ no discrepancy with regard to units previously retired or cancelled; ~~duplicate~~ units **existing in more than one account; units for which a previously identified discrepancy has not yet been resolved; and** units improperly issued **including those which infringement of the limits contained in -/CP.7 (LULUCF) units not carried over from a previous commitment period;**

(b) **[In the case of transfers between registries, the transaction log shall also verify that there are no discrepancies regarding** the eligibility of Parties involved in the transaction to participate in the mechanisms under Articles 6 and 17 **(to be defined)]**~~and the eligibility of legal entities involved in the transaction to hold ERUs, CERs or AAUs;~~

(c) **In the case of acquisitions of CERs from LULUCF projects under Article 12 the transaction log shall also verify that there is infringement of the limits contained in -/CP.7 (LULUCF);**

(d) **In the case of retirement of CERs, the transaction log shall also verify that there is no discrepancy with respect to the eligibility of the Party involved to use CERs to contribute to its compliance under Article 3, paragraph 1;**

(e) **In the case of issuances of AAUs pursuant to Article 3, paragraphs 3 and 4, the transaction log shall verify that the AAUs are not in excess of the net sink of greenhouse**

gases calculated by the Party and reported under Article 7, paragraph 1, and reviewed under Article 8;

(f) **[If the transaction log identifies that a transaction would infringe on the commitment period reserve of the Party established in the requirements under Article 17 (to be defined);]**

32. Upon completion of the automated check, the transaction log shall notify the initiating and, in the case of transfers to another registry, the acquiring Party's registry of the results of the automated check.

33. **Upon identification of a transaction discrepancy, the transaction log shall forward a record of the discrepancy to the expert review team under Article 8.**

34. If a discrepancy is notified by the transaction log, the initiating registry shall terminate the transaction **and notify the transaction log of the termination. In the event of a failure by the initiating registry to terminate the transaction, the AAUs, CERs or ERUs involved in the transaction shall not be valid for use toward compliance with commitments under Article 3, paragraph 1 until the problem has been corrected or any questions of implementation pertaining to the transaction have been resolved.**

35. If no discrepancy is notified by the transaction log, the initiating registry and, in the case of transfers to another registry, the acquiring Party's registry **may** complete transaction and send the record and a notification of completion or termination of the transaction to the transaction log. In the case of transfers to another registry, the initiating and acquiring Parties' registries shall also send their records and notifications to each other.

36. **Upon resolution of a question of implementation pertaining to a Party's transactions, that Party shall perform any necessary corrective actions within [X] days.**

The transaction log shall record, and make publicly available, all transaction records and the date and time of completion of each transaction, to facilitate its automated checks and the review under Article 8.

E. Publicly accessible information

37. Each national registry shall ~~record~~ **make** non-confidential information **publicly available** and provide a publicly accessible user interface through the Internet that allows interested persons to query and view it.

38. The information referred to in paragraph 37 shall include **maintaining up to date information** ~~the following account information relevant to the national registry~~ for each account number **in that registry on:**

- (a) Account name: the holder of the account;
- (b) Account type: the type of account (holding, cancellation or retirement);
- (c) Commitment period: the commitment period with which a cancellation or retirement account is associated;

(d) Representative identifier: the representative of the account holder, using the Party identifier (the two-letter country code defined by ISO 3166) and a number unique to that representative within the Party's registry;

(e) Representative name and contact information: the full name, mailing address, telephone number, facsimile number and email address of the representative of the account holder.

39. The information referred to in paragraph 37 shall include the following Article 6 project information, for each project identifier against which the Party has issued ERUs:

(a) Project name: a unique name for the project;

(b) Project location: the Party and town or region in which the project is located;

(c) Years of ERU issuance: the years in which ERUs have been issued as a result of the Article 6 project;

(d) Reports: downloadable electronic versions of **standard** documentation relating to the project, including proposals, monitoring, verification and issuance of ERUs, where relevant, subject to confidentiality provisions in decision -/CMP.1 (Article 6).

40. The information referred to in paragraph 37 shall include following holding and transaction information relevant to the national registry, by serial numbers, for each calendar year (defined according to Greenwich Mean Time):

(a) ERUs, CERs and AAUs in each account at the beginning of the year;

(b) AAUs issued on the basis of assigned amount pursuant to Article 3, paragraphs 7 and 8;

(c) In relation to additions:

(i) ERUs, CERs and AAUs acquired from other registries and the identity of the transferring accounts and national registries;

(ii) AAUs issued on the basis of activities under Article 3, paragraphs 3 and 4;

(d) In relation to subtractions:

(i) ERUs, CERs and AAUs transferred to other registries and the identity of the acquiring accounts and national registries;

(ii) AAUs cancelled on the basis of activities under Article 3, paragraphs 3 and 4;

(iii) Other ERUs, CERs and AAUs cancelled;

(e) ERUs, CERs and AAUs retired;

(f) ERUs, CERs and AAUs carried over from the previous commitment period;

(g) Current holdings of ERUs, CERs and AAUs in each account.

41. The information referred to in paragraph 37 shall include a list of legal entities authorized by the Party to hold ERUs, CERs and/or AAUs under its responsibility.

42. The information referred to in paragraph [26] shall include a list of legal entities authorized by the Party to hold ERUs, CERs and/or AAUs under its responsibility.

F. Report upon expiration of the additional period for fulfilment of commitments

43. Upon expiration of the additional period for fulfilment of commitments, each Party included in Annex I with a commitment inscribed in Annex B shall report, in a standard electronic format the following information. Information reported under sub paragraphs (a) to (c) shall only include ERUs, CERs, and AAUs valid for the commitment period in question:

- (a) **The total quantities of the categories of ERUs, CERs and AAUs listed in paragraph 40 (a) to (f), for the current calendar year until the end of the additional period for fulfilment of commitments (defined according to Greenwich Mean Time);**
- (b) **The total quantity of ERUs, CERs and AAUs in its retirement account; and**
- (c) **The total additions to and subtractions from its assigned amount established pursuant to Article 3, paragraphs 7 and 8, for the commitment period in question.**

III. COMPILATION AND ACCOUNTING OF EMISSION INVENTORIES AND ASSIGNED AMOUNTS

A. Report upon expiration of the additional period for fulfilling commitments

~~44. Upon expiration of an additional period for fulfilling commitments, each Party included in Annex I with a commitment inscribed in Annex B shall report, in a standard electronic format:~~

- ~~(a) — The total quantities of the categories of ERUs, CERs and AAUs listed in paragraph 40 (a) to (f), for the current calendar year until the end of the additional period for fulfilling commitments (defined according to Greenwich Mean Time). This information shall only include ERUs, CERs and AAUs valid for the previous commitment period;~~
- ~~(b) — The total quantity of ERUs, CERs and AAUs in its retirement account;~~
- ~~(c) The ERUs, CERs and AAUs which the Party requests to be added to its assigned amount for the subsequent commitment period.~~

A. Compilation and accounting database

45. The secretariat shall establish a database to compile and account for emissions and assigned amounts **established** pursuant to Article 3, paragraphs 7 and 8 **and additions to and subtractions from assigned amount pursuant to Article 3, paragraphs 3, 4,10,11,12 and 13.** ~~taking account of additions to, and subtractions from, such assigned amount in accordance with paragraphs 4 and 5 above, including cancellations, retirement and carry-overs.~~ A separate **record** shall be maintained in the database for each Party included in Annex I with a commitment inscribed in Annex B for each commitment period.

46. **The secretariat shall record in the database for each Party included in Annex I the following information after completion of the review of the report submitted to establish the assigned amount pursuant to Article 3, paragraphs 7 and 8, and resolution of any questions of implementation pertaining to these elements:** ~~assigned amount information recorded in the database for each Party and each commitment period shall include:~~

- (a) The assigned amount **established** pursuant to Article 3, paragraphs 7 and 8;
- (b) **Its eligibility to participate in the mechanisms pursuant to decision -/CP.7 (mechanisms);**
- (c) **The initial level of the commitment period reserve pursuant to decision -/CP.7 (mechanisms); and**

47. **Total allowable issuances of assigned amount units resulting from forest management and agricultural management activities under Article 3.4; and in the first commitment period limits on total acquisitions and transfers of certified emission reductions from afforestation and reforestation activities under Article 12 pursuant to decision -/CP.7 (LULUCF).**

48. **For those Parties that have reached an agreement in accordance with Article 4 to fulfil their commitments under Article 3 jointly, separate records shall be kept for each party to the agreement and a record of the aggregate information for all parties to the agreement.**

49. **The secretariat shall annually record the following information related to emissions, following the annual inventory review and resolution of any questions of implementation pertaining to emission estimates:** ~~The information on emissions recorded in the database for each Party and each commitment period shall include:~~

- (a) Aggregate annual carbon dioxide equivalent emissions of the greenhouse gases, and from the sources, listed in Annex A to the Kyoto Protocol³ for each year of the commitment period that has been reported in accordance with Article 7 ~~and reviewed in accordance with Article 8;~~
- (b) Any adjustments under Article 5, paragraph 2, recorded as the difference, in carbon dioxide equivalent terms, between the adjusted estimate and the inventory estimate reported under Article 7;
- (c) Aggregate anthropogenic carbon dioxide equivalent emissions in the commitment period, calculated as the sum of the amounts in subparagraphs (a) to (b) above for all years of the commitment period **to date.** ~~that have been subject to review in accordance with Article 8;~~

50. **The secretariat shall annually record in the database the following information for any Party that is accounting for net [sources and sinks/emissions and removals] of greenhouse gases resulting from [each of its] activities under Article 3, paragraphs 3 and 4**

³—Including, for Parties for which land-use change and forestry constituted a net source of greenhouse gas emissions in 1990, emissions by sources and removals by sinks from land-use change (all emissions by sources minus removals by sinks reported in relation to the conversion of forests (deforestation)).

in that year, after completion of the annual review and resolution of any questions of implementation:

(a) **The calculation of whether the ~~Aggregate carbon dioxide equivalent emissions and removals of the greenhouse gases listed in Annex A to the Kyoto Protocol from activities~~ under Article 3, paragraphs 3 and 4, that have been reported in accordance with Article 7 **are a net [sources and sinks/emissions and removals] of greenhouse gases pursuant to decision -/CP.7 (LULUCF)** ~~and reviewed in accordance with Article 8;~~**

(b) **Any adjustments under Article 5, paragraph 2, recorded as the difference, in carbon equivalent terms, between the adjusted estimate and the estimate reported under Article 7; and**

(c) **The net [sources and sinks/emissions and removals] of greenhouse gases pursuant to decision -/CP.7 (LULUCF) for the period over which the Party has accounted, calculated as the sum of the amounts sub-paragraphs a and b; OR**

(d) **The total net [sources and sinks/emissions and removals] of greenhouse gases pursuant to decision -/CP.7 (LULUCF) for the commitment period, calculated as the sum for the years of the commitment period to date of the amount in sub-paragraph c.**

51. Where a Party submits recalculated estimates of emissions and removals of greenhouse gases for a year of the commitment period, subject to the review in accordance with Article 8, **the Secretariat shall make** appropriate amendments ~~shall be made~~ to the information contained in the database including, where relevant, the removal of previously applied adjustments.

52. **The secretariat shall annually record in the database for each Party included in Annex I the following information related to transactions, following completion of the annual review and resolution of any questions of implementation pertaining to these elements. This information shall only include ERUs, CERs, and AAUs valid for the commitment period in question:**

- (a) **Any revision to the commitment period reserve pursuant to decision (/CP.7);**
- (b) **Total transfers for the previous calendar year and to date for the commitment period;** ~~The supplementary information reported in accordance with Article 7, paragraph 1, and reviewed in accordance with Article 8, related to ERUs, CERs and AAUs;~~
- (c) **Total acquisitions for the previous calendar year and to date for the commitment period;**
- (d) **Total issuances related to activities under Article 3.3 and 3.4 for the previous calendar year and to date for the commitment period;**
- (e) **Total cancellations related to activities under Article 3.3 and 3.4 for the previous year and to date for the commitment period;**
- (f) **Total of any other cancellations for the previous calendar year and to date for the commitment period;**

(g) **Total retirements for the previous calendar year and to date for the commitment period.**

53. **Upon expiration of the additional period for fulfilment of commitments, the secretariat shall record in the database the following information for each Party included in Annex I related to additions to and subtractions from assigned amount reported by the Party under paragraph 42 above upon expiration of the additional period for fulfilment of commitments, but prior to Article 8 review:** ~~The information reported upon expiration of the additional period for fulfilling commitments in accordance with paragraph 44 and reviewed in accordance with Article 8.~~

- a) **The total additions to or subtractions from the assigned amount established pursuant to Article 3, paragraphs 7 and 8, in accordance with Article 3, paragraphs 10, 11 and 12, calculated as the Party's total acquisitions less its total transfers over the commitment period [of ERUs, CERS and AAUs/as set out in paragraphs 4 and 5 above];**
- b) **The total additions to or subtractions from the assigned amount established pursuant to Article 3, paragraphs 7 and 8, in accordance with Article 3, paragraphs 3 and 4, calculated as the Party's total issuances less its total cancellations over the commitment period;**
- c) **The total other subtractions from the assigned amount established pursuant to Article 3.7 and 3.8, calculated as the Party's total other cancellations other than those relating to activities under Article 3, paragraph 3 and 4, over the commitment period; and**
- d) **The Party's retirement amount, calculated as the total amount retired over the commitment period and the additional period for fulfilment of commitments as recorded in paragraph 46(g) above.**

C. Compilation and accounting reports

54. ~~The secretariat shall compile and account information contained in its database on the emissions and assigned amount of each Party included in Annex I, on an annual basis as well as upon the expiration of an additional period for fulfilling commitments, to assist the Compliance Committee in assessing the compliance of each Party included in Annex I with its commitment under Article 3, paragraph 1.~~

55. The secretariat shall publish an annual compilation and accounting report for **all each Parties** included in Annex I and forward it to the COP/MOP, ~~the Compliance Committee and the Party concerned,~~ indicating, inter alia, its current retirement amount and aggregate anthropogenic carbon dioxide equivalent emissions for all years of the commitment period that have been subject to review in accordance with Article 8.

56. After the commitment period and the additional period for fulfilling commitments, the secretariat shall publish a final compilation and accounting report for each Party included in Annex I and forward it **for the COP/MOP, the Compliance Committee expert review under Article 8** and the Party concerned, indicating:

(a) ~~Whether the retirement amount of The Party's is equivalent to its aggregate anthropogenic carbon dioxide equivalent emissions for the commitment period, as recorded under paragraph 43(c); and~~

(b) ~~The total amount available for compliance with Article 3, paragraph 1, as recorded in paragraph 47(d); Where appropriate, the quantity of ERUs, CERs and/or AAUs of the Party which is available to be carried over to the subsequent commitment period;~~

(c) ~~Where appropriate, the amount in tonnes by which the aggregate anthropogenic carbon dioxide equivalent emissions exceed the retirement amount for the commitment period, expressed as a percentage of the retirement amount.~~

SUBMISSION NO. 2: BELGIUM
(ON BEHALF OF THE EUROPEAN UNION)

Article 7.4: comments to section I and II

- The text below is based on the current 578 negotiating text (INF.5).
- Section III (Compilation and accounting of emission inventories and assigned amounts) will be elaborated based on INF.5 and in accordance to the proposals made to section I and II.

ANNEX II

Modalities for the accounting of assigned amounts under Article 7, paragraph 4, of the
Kyoto Protocol¹

I. ELABORATION OF ASSIGNED AMOUNT

A. Establishment of assigned amount pursuant to Article 3, paragraphs 7 and 8

1. The assigned amount established pursuant to Article 3, paragraphs 7 and 8, for the first commitment period, from 2008 to 2012, for each Party included in Annex I with a commitment inscribed in Annex B to the Kyoto Protocol shall be equal to the percentage inscribed for it in Annex B of its aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases, and from the sources, listed in Annex A to the Kyoto Protocol in the base year multiplied by five, taking into account the following:

(a) The base year shall be 1990 except for those Parties undergoing the process of transition to a market economy that have selected a historical base year or period other than 1990, in accordance with Article 3, paragraph 5, and for those Parties that have selected 1995 as the base year for total emissions of hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride, in accordance with Article 3, paragraph 8;

(b) Those Parties for which land-use change and forestry (all emissions by sources and removals by sinks under category 5 of the *Revised 1996 Intergovernmental Panel of Climate Change Guidelines for National Greenhouse Gas Inventories*) constituted a net source of greenhouse gas emissions in 1990 shall include in their 1990 emissions base year or period the aggregate anthropogenic carbon dioxide equivalent emissions by sources minus removals by sinks in 1990 from land-use change (all emissions by sources minus removals by sinks reported in relation to the conversion of forests (deforestation));

(c) Those Parties that have reached an agreement in accordance with Article 4 to fulfil their commitments under Article 3 jointly shall use the respective emission level allocated to each of the Parties in that agreement instead of the percentage inscribed for it in Annex B.

2. Each Party included in Annex I with a commitment inscribed in Annex B shall facilitate the establishment of its assigned amount pursuant to Article 3, paragraphs 7 and 8, for the commitment period and demonstrate its capacity to account for its emissions and assigned amount. To this end, each Party shall submit a report containing the following information, or references to such information where it has been previously submitted to the secretariat:

(a) Complete inventories of anthropogenic emissions by sources and removals by sinks of greenhouse gases not controlled by the Montreal Protocol for all years from 1990, or other approved base year or period under Article 3, paragraph 5, to the most recent year available, prepared in accordance with Article 5, paragraph 2, and relevant decisions of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP), taking into account any relevant decisions of the Conference of the Parties (COP);

¹ "Article" in these modalities refers to an article of the Kyoto Protocol, unless otherwise specified.

- (b) Identification of its selected base year for hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride in accordance with Article 3, paragraph 8;
- (c) The agreement under Article 4, where the Party has reached such an agreement to fulfil its commitments under Article 3 jointly with other Parties;
- (d) Calculation of its assigned amount pursuant to Article 3, paragraphs 7 and 8 on the basis of its inventory of anthropogenic emissions by sources and removals by sinks of greenhouse gases not controlled by the Montreal Protocol;
- (e) Calculation of its commitment period reserve in accordance with decision -/CP.6 (emissions trading);
- (f) Identification of its selection of minimum values for tree crown cover, land area and tree height for use in accounting for its activities under Article 3, paragraph 3, together with a ~~demonstration~~justification of the consistency of those values with historical reporting to the Food and Agriculture Organization of the United Nations or other international bodies, and in the case of difference, an explanation of why and how such values were chosen, in accordance with decision -/CP.6 (land-use, land-use change and forestry);
- (g) Identification of its election of activities under Article 3, paragraph 4, for inclusion in its accounting for the first commitment period, together with ~~documentation of the specific information on how its national inventory system under Article 5 paragraph 1 identifies~~land areas associated with the activities, in accordance with decision -/CP.6 (land-use, land-use change and forestry);
- (h) A description of its national system in accordance with Article 5, paragraph 1, reported in accordance with paragraphs X and X of the guidelines for the preparation of the information required under Article 7 of the Kyoto Protocol;
- (i) A description of its national registry for recording and tracking its assigned amount, reported in accordance with paragraph X of the guidelines for the preparation of the information required under Article 7 of the Kyoto Protocol.

3. After review under Article 8 and resolution of any questions of implementation relating to adjustments or assigned amounts, the assigned amount calculated pursuant to Article 3, paragraphs 7 and 8, of each Party shall be recorded in the database for the compilation and accounting of emissions and assigned amounts referred to in paragraph **36**. Once recorded, the assigned amount pursuant to Article 3, paragraphs 7 and 8, of a Party shall be considered established and shall remain fixed for the commitment period.

B. Additions to, and subtractions from, assigned amount established pursuant to Article 3, paragraphs 7 and 8

4. Additions to the assigned amount established pursuant to Article 3, paragraphs 7 and 8, of a Party shall be made where:
- (a) The Party acquires emission reduction units, certified emission reductions or any ~~part of an~~ assigned amount units from another Party in accordance with Article 3, paragraphs 10, 11 and 12, and Articles 6, 12 and 17;

(b) The activities of a Party under Article 3, paragraphs 3 and/or 4, result in a net removal sink of greenhouse gases, taking into account any adjustments applied under Article 5, paragraph 2, as reported in accordance with Article 7, reviewed in accordance with Article 8, accounted in accordance with the decision -/CP.6 (land-use, land-use change and forestry) and subject to any questions of implementation related to those activities having been resolved²;

(c) The Party carries over emission reduction units, certified emission reductions or any assigned amount units from a previous commitment period that have not been retired or cancelled.

5. Subtractions from the assigned amount established pursuant to Article 3, paragraphs 7 and 8, of a Party, taking account of additions to such assigned amount under paragraph 4 above, shall be made where:

(a) The Party transfers emission reduction units, ~~certified emission reductions or any part of an assigned amount~~ units to another Party in accordance with Article 3, paragraphs 10 and 11, and Articles 6, 12 and 17;

(b) The activities of a Party under Article 3, paragraphs 3 and/or 4, result in a net source of greenhouse gas emissions, taking into account any adjustments applied under Article 5, paragraph 2, as reported in accordance with Article 7, reviewed in accordance with Article 8 and accounted in accordance with the decision -/CP.6 (land-use, land-use change and forestry)³;

(c) The Party cancels emission reduction units, certified emission reductions or ~~any part of an assigned amount~~ units so that they may not be used in fulfilment of commitments under Article 3, paragraph 1.

(d) The Party cancels ERUS, CERs or AAUs following determination by the compliance committee that the Party was not in compliance with its commitment under Article 3, paragraph 1 for the previous commitment period in accordance with decision -/CP.7 (Compliance)

C. Retirement amount

6. Each Party included in Annex I with a commitment inscribed in Annex B shall retain a retirement amount for each commitment period by retiring assigned amount established pursuant to Article 3, paragraphs 7 and 8, taking account of additions to, and subtractions from, such assigned amount under paragraphs 4 and 5 above, for the purpose of demonstrating its

² Cropland management, grazing land management and revegetation activities shall be accounted relative to the effect of these activities in the base year, in accordance with decision -/CP.6 (land-use, land-use change and forestry), while avoiding double accounting with emissions and removals already accounted for in the establishment of the assigned amount pursuant to Article 3.7 and 3.8.

³ Cropland management, grazing land management and revegetation activities shall be accounted relative to the effect of these activities in the base year, in accordance with decision -/CP.6 (land-use, land-use change and forestry), while avoiding double accounting with emissions and removals already accounted for in the establishment of the assigned amount pursuant to Article 3.7 and 3.8.

compliance with its commitment under Article 3, paragraph 1. No part of a retirement amount may be subsequently transferred.

D. Basis for the compliance assessment

7. The assessment, after the first commitment period and the expiration of the additional period for fulfilling commitments, of the compliance of a Party included in Annex I with its commitment under Article 3, paragraph 1, shall be based on the comparison of its retirement amount with its aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases, and from the sources, listed in Annex A to the Kyoto Protocol⁴ during the first commitment period as reported in accordance with Article 7 and reviewed in accordance with Article 8, taking into account any adjustments in accordance with Article 5, paragraph 2. ~~The aggregate emissions shall include all emissions by sources and removals by sinks of all gases that were taken into account in the establishment of the assigned amount pursuant to Article 3, paragraphs 7 and 8, of that Party.~~

E. Carry-over of assigned amount

8. After expiration of an additional period for fulfilling commitments and where the final compilation and accounting report referred to in paragraph X below indicates that the retirement amount of the Party is equivalent to its anthropogenic carbon dioxide equivalent emissions for that commitment period, the Party may add any assigned amount established pursuant to Article 3, paragraphs 7 and 8, taking account of additions to, and subtractions from, such assigned amount under paragraphs 4 and 5 above, which has not been retired, to its assigned amount for the subsequent commitment period, in accordance with Article 3, paragraph 13.

~~9. Where the Compliance Committee subsequently determines that the Party is not in compliance with its commitment under Article 3, paragraph 1, in a commitment period, the carry-over of assigned amount to the subsequent commitment period, up to the amount in tonnes of the excess emissions, shall be revoked.~~

II. REGISTRY REQUIREMENTS

A. National registries

9. Each Party included in Annex I with a commitment inscribed in Annex B shall establish and maintain a national registry to ensure the accurate accounting of the issuance, holding, transfer, acquisition, cancellation and retirement of emission reduction units, certified emission reductions and assigned amount units, where:

(a) An “emission reduction unit” or “ERU” is a unit issued pursuant to the relevant provisions in these modalities for the accounting of assigned amounts, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

⁴—Including, for Parties for which land-use change and forestry constituted a net source of greenhouse gas emissions in 1990, emissions by sources and removals by sinks from land-use change (all emissions by sources minus removals by sinks reported in relation to the conversion of forests (deforestation)).

(b) A “certified emission reduction” or “CER” is a unit issued pursuant to Article 12 and requirements thereunder, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(c) An “assigned amount unit” or “AAU” is a unit issued pursuant to the relevant provisions in these modalities for the accounting of assigned amounts, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5.

10. Each Party shall designate an organization as its registry administrator to maintain the Party’s national registry. Any two or more such Parties may voluntarily maintain their respective national registries in a consolidated system, provided that each national registry remains distinct.

11. A national registry shall be in the form of a standardized electronic database which contains, *inter alia*, common data elements relevant to the issuance, holding, transfer, acquisition, cancellation and retirement of ERUs, CERs and AAUs. The structure and data formats of national registries shall conform to technical standards to be adopted by the COP/MOP for the purpose of ensuring the accurate, transparent and efficient exchange of data between national registries, the clean development mechanism (~~CDM~~~~DCM~~) registry and the independent transaction log.

12. Each ERU, CER and AAU shall be held in only one account in one registry at a given time.

13. Each national registry shall have the following accounts:

(a) At least one holding account for the Party;

(b) At least one holding account for each legal entity authorized by the Party to hold ERUs, CERs and/or AAUs under ~~that its~~ Party’s responsibility;

(c) ~~At least One~~ One cancellation account for each commitment period for the purposes of ~~c~~cancelling ERUs, CERs and/or AAUs in accordance with paragraph 5 (b);

(d) At least one cancellation account for the purpose of cancelling ERUs, CERs and/or AAUs in accordance with paragraph 5 (c);

(e) **One cancellation account for the purpose of cancelling ERUs, CERs and/or AAUs in accordance with paragraph 5(d-).**

(f) One retirement account for each commitment period.

14. Each account within a national registry shall have a unique account number comprising the following elements:

(a) Party identifier: the Party in whose national registry the account is maintained, identified by means of the two-letter country code defined by ISO 3166;

(b) A unique number: a number unique to that account for the Party in whose national registry the account is maintained.

B. Issuance of ERUs and AAUs

15. Each Party included in Annex I with a commitment inscribed in Annex B shall, prior to any transactions taking place for that commitment period, issue its assigned amount pursuant to Article 3, paragraphs 7 and 8, established in accordance with paragraphs 1 to 3 above, into its national registry as AAUs.

16. Each AAU shall have a unique serial number comprising the following elements:

- (a) Commitment period: the commitment period for which the AAU is issued;
- (b) Party of origin: the Party issuing the AAU, identified by means of the two-letter country code defined by ISO 3166;
- (c) Type: an element identifying the unit as an AAU;
- (d) A unique number: a number unique to the AAU for the identified commitment period and Party of origin.

17. Following completion of the review in accordance with Article 8 for the final year of the commitment period and the resolution of any compliance-related matters which affect the inventory, a Party included in Annex I shall issue AAUs equivalent to net removals of anthropogenic greenhouse gases resulting from activities under Article 3, paragraph 3, and its elected activities under Article 3, paragraph 4, in accordance with paragraph 4(b) above. Each Party shall issue any additions to its assigned amount pursuant to Article 3, paragraphs 7 and 8, as a result of activities under Article 3, paragraphs 3 and 4, in accordance with paragraph 4 (b) above, into its national registry as AAUs.

17.bis Where the enforcement branch of the compliance committee determines that a Party has not met the requirements under Article 5 paragraph 2, and/or Article 7, paragraph 1, pertaining to Article 3, paragraphs 3 and/or paragraph 4 that Party shall not issue the relevant AAUs.

17cbis. The unique serial number for an AAU issued under paragraph 17 above shall include an indicator identifying whether it results from activities under Article 3, paragraph 3, or Article 3, paragraph 4, and in the case of the latter, the type of activity for which it was issued.

18. Each Party shall issue ERUs into its national registry by converting AAUs previously issued by that Party and held in its national registry. An AAU shall be converted into an ERU by adding a project identifier to the serial number and changing the type indicator in the serial number to indicate an ERU. Other elements of the serial number of the AAU shall remain unchanged. The project identifier shall identify the specific Article 6 project for which the ERUs are issued, using a number unique to the project for the Party of origin, including whether the relevant reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks were verified under the Article 6 supervisory committee and whether the ERUs resulted from forest management activities under Article 3.4. Upon such issuance, the Party shall transfer the ERUs to the account or accounts of the project participants and Parties specified in their distribution agreement.

18. bis For the first commitment period and until the expiration of the additional period for fulfilling commitments, the quantity of AAUs issued by a Party under paragraph [] above,

resulting from forest management activities under Article 3, paragraph 4, after the application, where relevant, of paragraph 10 of the annex to the decision -/CMP.1 (LULUCF), and resulting from forest management project activities undertaken under Article 6, shall not exceed the value set out for that Party in the appendix to that decision, times five.

C. Transfer, acquisition, cancellation and retirement of ERUs, CERs and AAUs

~~19.19.~~ Each Party included in Annex I with a commitment inscribed in Annex B may transfer and acquire ERUs, CERs and AAUs in accordance with decisions -/CP.6 (Article 6), -/CP.6 (Article 12), -/CP.6 (Article 17).

19.bis Each Party included in Annex I shall ensure that its acquisitions of CERs from afforestation and reforestation activities under Article 12 for the first commitment period do not exceed one per cent of base year emissions of that Party, times five.

~~20.19.~~ Each Party included in Annex I with a commitment inscribed in Annex B shall cancel AAUs equivalent to net sources of greenhouse gases from activities under Article 3, paragraphs 3 and/or 4, in accordance with paragraph 5 (b) above, by transferring AAUs to a cancellation account in its national registry.

20. Following completion of the review in accordance with Article 8 for the final year of the commitment period and the resolution of any compliance-related matters which affect the inventory, a Party included in Annex I shall cancel AAUs equivalent to net emissions of anthropogenic greenhouse gases resulting from activities under Article 3, paragraph 3, and its elected activities under Article 3, paragraph 4, in accordance with paragraph 5(b) above.

20bis. -Each Party included in Annex I with a commitment inscribed in Annex B May may also cancel ERUs, CERs and/or AAUs so they cannot be used in fulfilment of commitments under Article 3, paragraph 1, in accordance with paragraph 5 (c) above, by transferring ERUs, CERs and/or AAUs to a cancellation account in its national registry. Legal entities, where authorized by the Party, may also perform this function.

21. Prior to the end of the additional period for fulfilling commitments, e~~E~~ach Party included in Annex I with a commitment inscribed in Annex B shall retire ERUs, CERs and/or AAUs for the purpose of contributing to its amount to be used in fulfilment of its commitment under Article 3, paragraph 1, in accordance with paragraph 6 above, by transferring ERUs, CERs and/or AAUs valid for the commitment period in question to the retirement account in its national registry.

22. ERUs, CERs and AAUs transferred to cancellation or retirement accounts may not be further transferred or carried over to subsequent commitment periods. ERUs, CERs and AAUs transferred to cancellation accounts may not be used for the purpose of demonstrating the compliance of a Party with its commitment under Article 3, paragraph 1.

23. Each Party included in Annex I with a commitment inscribed in Annex B may carry over ERUs, CERs and AAUs held ~~by that Party~~ in its registry that have not been retired to the subsequent commitment period, in accordance with paragraph 8 above. Each ERU, CER and AAU carried over in this manner shall maintain its original serial number and shall be valid towards meeting commitments in the subsequent commitment period. ERUs, CERs and AAUs

of a previous commitment period which have not been carried over in this manner may not be transferred, acquired, cancelled and/or retired after the end of the additional period for fulfilling commitments.

24. Where the compliance committee determines that the Party is not in compliance with its commitment under Article 3, paragraph 1, for a commitment period, the Party shall transfer the quantity of ERUs, CERs and/or AAUs calculated in accordance with decision -/CP.7 (compliance) into its cancellation/retirement account in accordance with paragraph 5(d). ~~previously carried over into the subsequent commitment period, equal to the amount in tonnes of excess emissions, shall be transferred to the retirement account of the Party and for the commitment period for which such non-compliance was determined, in accordance with paragraph 9 above.~~

D. Transaction procedures

25. The secretariat shall establish and maintain an independent transaction log to ~~ensure~~ verify the validity of transactions, including the issuance, transfer, acquisition, cancellation and retirement of ERUs, CERs and AAUs. The transaction log shall ~~ensure~~ verify that each ERU, CER and AAU is held in only one account in one registry at a given time.

26. A Party included in Annex I shall initiate issuance of an AAU by directing its national registry to issue AAUs into a specific account within that registry. The executive board of the CDM shall initiate issuance of a CER by directing the CDM registry to issue CERs into its pending account in accordance with the requirements under Article 12. A Party included in Annex I shall initiate issuance of an ERU by directing its national registry to convert specified AAUs into ERUs within an account of that national registry. Subject to notification by the transaction log that there are no discrepancies pertaining to the issuance, the issuance shall be completed when specific ERUs, CERs or AAUs are recorded in the specified account and, in the case of ERUs, the specified AAUs are removed from the account.

27. A Party included in Annex I shall initiate any transfer of ERUs, CERs and/or AAUs, including those to cancellation and retirement accounts, by directing its national registry to transfer specified ERUs, CERs and/or AAUs to a specific account within that registry or another registry. The executive board of the CDM shall initiate any transfer of CERs from the CDM registry by directing ~~the CDM registry~~ it to transfer specified CERs to a specific account within that registry or another registry. Subject to notification by the transaction log that there are no discrepancies pertaining to the transfer, the transfer shall be completed when the specified ERUs, CERs and/or AAUs are removed from the transferring account and are recorded in the acquiring account.

28. Upon the initiation of any issuance, transfer, cancellation or retirement of ERUs, CERs and/or AAUs, and prior to the completion of those transactions:

(a) The initiating registry shall create a unique transaction number comprising: the commitment period for which the transaction is proposed; the Party identifier for the Party initiating the transaction (using the two-letter country code defined by ISO 3166); and a number unique to that transaction for the commitment period and initiating Party;

(b) The initiating registry shall send a record of the proposed transaction to the transaction log ~~and~~, in the case of transfers to another registry, to the acquiring national registry. The record shall include: the transaction number; the transaction type (issuance, transfer, cancellation or retirement, further distinguished in accordance with the categories in paragraphs 4 and 5 above); the serial numbers of the relevant ERUs, CERs or AAUs; and the relevant account numbers. ~~In the case of transfers to another registry, the acquiring registry, subject to its acceptance of the proposed transaction, shall send the record to the transaction log;~~

(c) The transaction log shall, upon receipt of the record, conduct an automated check to ~~ensure~~ verify that there are no discrepancies with regard to units previously retired or cancelled; ~~duplicated units existing in more than one account; units for which a previously identified discrepancy has not yet been resolved; infringements on the limits contained in accounting rules under decision -/CP.7 (LULUCF);~~ units improperly issued; units not carried over from a previous commitment period; the eligibility of Parties involved in the transaction to participate in the mechanisms; the ~~eligibility~~ authorisation of legal entities involved in the transaction to hold ERUs, CERs or AAUs; and infringements on the commitment period reserve of the Party established in the requirements under Article 17. Upon completion of the automated check, the transaction log shall notify the initiating and, in the case of transfers to another registry, the acquiring Party's registry of the results of the automated check. Upon identification of a transaction discrepancy, the transaction log shall immediately forward a record of the discrepancy to the expert review team under Article 8⁵;

(d) If a discrepancy is notified by the transaction log, the initiating registry shall terminate the transaction and notify the transaction log and, in the case of transfers to another registry, the acquiring registry, of the termination. In the event of a failure by the initiating registry to terminate the transaction, the ERUs, CERs or AAUs involved in the transaction shall not be valid for use towards compliance with commitments under Article 3, paragraph 1 until the problem has been corrected and any questions of implementation pertaining to the transaction have been resolved. Upon resolution of a question of implementation pertaining to a Party's transactions, that Party shall perform any necessary corrective actions within 30 days;⁶

(e) If no discrepancy is notified by the transaction log, the initiating registry and, in the case of transfers to another registry, the acquiring Party's registry shall complete or terminate the transaction and send the record and a notification of completion or termination of the transaction to the transaction log. In the case of transfers to another registry, the initiating and acquiring Parties' registries shall also send their records and notifications to each other.

29. The transaction log shall record, and make publicly available, all transaction records and the date and time of completion of each transaction, to facilitate its automated checks and the review under Article 8.

E. Publicly accessible information

⁵ The review process under Article 8 needs to be elaborated further.

⁶ Last two sentence relating to "questions of implementation" should be consistent with the compliance text and any modifications that may be decided

~~29.30.~~ Each national registry shall record non-confidential information and provide a publicly accessible user interface through the Internet that allows interested persons to query and view it.

~~30.31.~~ The information referred to in paragraph 30 shall include the following account information relevant to the national registry, for each account number:

- (a) Account name: the holder of the account;
- (b) Account type: the type of account (holding, cancellation or retirement);
- (c) Commitment period: the commitment period with which a cancellation or retirement account is associated;
- (d) Representative identifier: the representative of the account holder, using the Party identifier (the two-letter country code defined by ISO 3166) and a number unique to that representative within the Party's registry;
- (e) Representative name and contact information: the full name, mailing address, telephone number, facsimile number and email address of the representative of the account holder.

32. The information referred to in paragraph X shall include the following Article 6 project information, for each project identifier against which the Party has issued ERUs:

- (a) Project name: a unique name for the project;
- (b) Project location: the Party and town or region in which the project is located;
- (c) Years of ERU issuance: the years in which ERUs have been issued as a result of the Article 6 project;
- (d) Reports: downloadable electronic versions of all documentation relating to the project, including proposals, monitoring, verification and issuance of ERUs, where relevant, subject to confidentiality provisions in decision -/CMP.1 (Article 6).

~~32.33.~~ The information referred to in paragraph X shall include the following holding and transaction information relevant to the national registry, ~~by serial numbers~~, for each calendar year (defined according to Greenwich Mean Time):

- (a) Total quantity of ERUs, CERs and AAUs in each account at the beginning of the year;
- (b) Total quantity and serial numbers of AAUs issued on the basis of assigned amount established pursuant to Article 3, paragraphs 7 and 8;
- (c) In relation to additions:
 - (i) Total quantity of ERUs, CERs and AAUs acquired from other registries and the identity of the transferring accounts and national registries;
 - (ii) Total quantity and serial numbers of AAUs issued on the basis of activities under Article 3, paragraphs 3 and 4;

- (d) In relation to subtractions:
- (i) Total quantity of ERUs, CERs and AAUs transferred to other registries and the identity of the acquiring accounts and national registries;
 - (ii) Total quantity and serial numbers of AAUs cancelled on the basis of activities under Article 3, paragraphs 3 and 4;
 - (iii) Total quantity and serial numbers of oOther ERUs, CERs and AAUs cancelled;
- (e) Total quantity and serial numbers of ERUs, CERs and AAUs retired;
- (f) Total quantity and serial numbers of ERUs, CERs and AAUs carried over from the previous commitment period;
- (g) Current holdings of Total quantity of ERUs, CERs and AAUs in each account~~at the end of the year.~~
34. The information referred to in paragraph X shall include a list of legal entities authorized by the Party to hold ERUs, CERs and/or AAUs under its responsibility.

**III. COMPILATION AND ACCOUNTING OF EMISSION INVENTORIES
AND ASSIGNED AMOUNTS**

■ This Section will be elaborated based on INF.5 and in accordance to the proposals made to section I and II.

■

SUBMISSION NO. 3: INDIA
(ON BEHALF OF THE GROUP OF 77 AND CHINA)

ANNEX II

Modalities for Accounting of Assigned Amount and for the Compliance Assessment

I. Calculation of assigned amount pursuant to Article 3, paragraphs 7 and 8¹⁶

1. The assigned amount pursuant to Article 3, paragraphs 7 and 8, for the first commitment period, from 2008 to 2012, for each Party included in Annex I with a commitment inscribed in Annex B to the Kyoto Protocol shall be equal to the percentage inscribed for it in Annex B of its aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases, and from the sources, listed in Annex A to the Kyoto Protocol in the base year multiplied by five, taking into account the following:

(a) The base year shall be 1990 except for those Parties included in Annex I undergoing the process of transition to a market economy that have selected a historical base year or period other than 1990, in accordance with Article 3, paragraph 5, and for those Parties included in Annex I that have selected 1995 as the base year for total emissions of hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride, in accordance with Article 3, paragraph 8;

(b) Those Parties included in Annex I for which land-use change and forestry (all emissions by sources and removals by sinks under category 5 of the *Revised 1996 Intergovernmental Panel of Climate Change Guidelines for National Greenhouse Gas Inventories*) constituted a net source of greenhouse gas emissions in 1990 shall include in their 1990 emissions base year or period the aggregate anthropogenic carbon dioxide equivalent emissions by sources minus removals by sinks in 1990 from land-use change (all emissions by sources minus removals by sinks reported in relation to the conversion of forests (deforestation));

(c) Those Parties included in Annex I that have reached an agreement in accordance with Article 4 to fulfil their commitments under Article 3 jointly shall use the respective emission level allocated to each of the Parties in that agreement instead of the percentage inscribed for it in Annex B.

2. Each Party included in Annex I with a commitment inscribed in Annex B shall facilitate the calculation of its assigned amount pursuant to Article 3, paragraphs 7 and 8, for the commitment period. To this end, each Party shall submit a report containing the following information, or references to such information where it has been previously submitted to the secretariat:

¹⁶ “Article” in these modalities refers to an article of the Kyoto Protocol, unless otherwise specified.

(a) Complete inventories of anthropogenic emissions by sources and removals by sinks of greenhouse gases not controlled by the Montreal Protocol for all years from 1990, or other approved base year or period under Article 3, paragraph 5, to the most recent year available, prepared in accordance with Article 5, paragraph 2, and relevant decisions of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP), taking into account any relevant decisions of the Conference of the Parties (COP);

(b) Identification of its selected base year for hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride in accordance with Article 3, paragraph 8;

(c) The agreement under Article 4, where the Party included in Annex I has reached such an agreement to fulfil its commitments under Article 3 jointly with other Parties included in Annex I;

(d) Calculation of its assigned amount pursuant to Article 3, paragraphs 7 and 8 on the basis of its inventory of anthropogenic emissions by sources and removals by sinks of greenhouse gases not controlled by the Montreal Protocol;

3. After review under Article 8 and resolution of any questions of implementation relating to adjustments or assigned amounts pursuant to Article 3, paragraphs 7 and 8, the assigned amount pursuant to Article 3, paragraphs 7 and 8, of each Party included in Annex I shall be recorded in the database for the compilation and accounting of emissions and assigned amounts referred to in paragraph 37.

3bis. Once recorded, the assigned amount shall remain fixed for the commitment period.

II. Accounting for the compliance assessment

A. Accounting of additions to, and subtractions from, assigned amount pursuant to Article 3, paragraphs 7 and 8

4. Additions to the assigned amount pursuant to Article 3, paragraphs 7 and 8, of a Party included in Annex I shall be made for accounting of compliance assessment where:

(a) The Party included in Annex I acquires emission reduction units, certified emission reductions or assigned amount units from another Party in accordance with Article 3, paragraphs 10 and 12, and Articles 6, 12 and 17;

(b) The activities of a Party included in Annex I under Article 3, paragraphs 3 and/or 4, result in a net sink of greenhouse gases, as reported in accordance with Article 7, reviewed in accordance with Article 8, accounted in accordance with the decision –/CP.7 (land use, land-use change and forestry) and subject to any questions of implementation related to those activities having been resolved;

5. Subtractions from the assigned amount pursuant to Article 3, paragraphs 7 and 8, of a Party included in Annex I, shall be made for accounting of compliance assessment where:

(a) The Party included in Annex I transfers emission reduction units or assigned amount units to another Party included in Annex I in accordance with Article 3, paragraph 11, and Articles 6 and 17;

(b) The activities of a Party included in Annex I under Article 3, paragraphs 3 and/or 4, result in a net source of greenhouse gas emissions, as reported in accordance with Article 7, reviewed in accordance with Article 8 and accounted in accordance with the decision -/CP.7 (land use, land-use change and forestry);

(c) The Party included in Annex I cancels emission reduction units, certified emission reductions, removal units or assigned amount units so that they may not be used in fulfilment of commitments under Article 3, paragraph 1.

B. Retirement amount

6. Each Party included in Annex I with a commitment inscribed in Annex B shall retain a retirement amount for each commitment period by retiring assigned amount pursuant to Article 3, paragraphs 7 and 8, taking account of additions to, and subtractions from, such assigned amount under paragraphs 4 and 5 above, for the purpose of demonstrating its compliance with its commitment under Article 3, paragraph 1. No part of a retirement amount may be subsequently transferred.

D. Compliance assessment

7. The assessment, after the first commitment period and the expiration of the additional period for fulfilling commitments, of the compliance of a Party included in Annex I with its commitment under Article 3, paragraph 1, shall be based on the comparison of its retirement amount with its aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases, and from the sources, listed in Annex A to the Kyoto Protocol¹⁷ during the first commitment period as reported in accordance with Article 7 and reviewed in accordance with Article 8, taking into account any adjustments in accordance with Article 5, paragraph 2. The aggregate emissions shall include all emissions by sources and removals by sinks of all gases that were taken into account in the calculation of the assigned amount pursuant to Article 3, paragraphs 7 and 8, of that Party.

E. Additional information for compliance assessment

¹⁷ Including, for Parties included in Annex I for which land-use change and forestry constituted a net source of greenhouse gas emissions in 1990, emissions by sources and removals by sinks from land-use change (all emissions by sources minus removals by sinks reported in relation to the conversion of forests (deforestation)).

7bis. Each Party included in Annex I with a commitment inscribed in Annex B shall demonstrate its capacity to account for its emissions and compliance assessment. To this end, each Party shall submit a report containing the following additional information, or references to such information where it has been previously submitted to the secretariat:

(a) Calculation of its commitment period reserve in accordance with decision -/CP.7 (emissions trading);

(b) Identification of its selection of minimum values for tree crown cover, land area and tree height for use in accounting for its activities under Article 3, paragraph 3, together with a demonstration of the consistency of those values with historical reporting to the Food and Agriculture Organization of the United Nations or other international bodies, and in the case of difference, an explanation of why and how such values were chosen, in accordance with decision -/CP.7 (land use, land-use change and forestry);

(c) Identification of its election of activities under Article 3, paragraph 4, for inclusion in its accounting for the first commitment period, together with documentation of the specific land area associated with the activities, in accordance with decision -/CP.7 (land use, land-use change and forestry);

(d) A description of its national system in accordance with Article 5, paragraph 1, reported in accordance with paragraphs 20 and 21 of the guidelines for the preparation of the information required under Article 7 of the Kyoto Protocol;

(e) A description of its national registry, reported in accordance with paragraph 22 of the guidelines for the preparation of the information required under Article 7 of the Kyoto Protocol.

E. Carry-over of assigned amount

8. After expiration of an additional period for fulfilling commitments and where the final compilation and accounting report referred to in paragraph 43 below indicates that the assigned amount of the Party included in Annex I pursuant Article 3, paragraphs 7 and 8, reduced of assigned amounts units and emission reduction units transferred to another Party included in Annex I in accordance with paragraph 5 (a) above or assigned amount units cancelled in accordance with paragraph 5 (c) above, is greater than its anthropogenic carbon dioxide equivalent emissions for that commitment period, the Party may carry over this difference, on its request, to the subsequent commitment period, in accordance with Article 3, paragraph 13.

8bis. Each Party included in Annex I may carry over to next commitment period:

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

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

9. Where the Compliance Committee subsequently determines that the Party included in Annex I is not in compliance with its commitment under Article 3, paragraph 1, in a commitment period, the carry-over of assigned amount to the subsequent commitment period, up to the amount in tones of the excess emissions, shall be revoked.

III. REGISTRY REQUIREMENTS

A. National registries

10. Each Party included in Annex I with a commitment inscribed in Annex B shall establish and maintain a national registry to ensure the accurate accounting of the issuance, holding, transfer, acquisition, cancellation and retirement of emission reduction units; certified emission reductions, units resulting from activities under Article 3, paragraphs 3 and 4, and assigned amount units, where:

(a) An “emission reduction unit” or “ERU” is a unit issued pursuant to Article 6 and requirements thereunder and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(b) A “certified emission reduction” or “CER” is a unit issued pursuant to Article 12 and requirements thereunder, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(c) A “removal unit” or “RMU” is a unit issued pursuant to Article 3, paragraphs 3 and/or 4, and requirements thereunder, established in accordance with paragraphs 4(b) above, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5.

(d) An “assigned amount unit” or “AAU” is a unit issued pursuant to Article 3, paragraphs 7 and 8, and requirements thereunder, established in accordance with paragraphs 1 to 3bis above, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5.

11. Each Party included in Annex I shall designate an organization as its registry administrator to maintain the Party’s national registry. Any two or more such Parties may voluntarily maintain their respective national registries in a consolidated system, provided that each national registry remains distinct.

12. A national registry shall be in the form of a standardized electronic database which contains, *inter alia*, common data elements relevant to the issuance, holding, transfer, acquisition, cancellation and retirement of ERUs, CERs and AAUs and the issuance,

holding, cancellation and retirement of RMUs. The structure and data formats of national registries shall conform to technical standards to be adopted by the COP/MOP for the purpose of ensuring the accurate, transparent and efficient exchange of data between national registries, the clean development mechanism (CDM) registry and the independent transaction log.

13. Each ERU, CER, RMU and AAU shall be held in only one account in one registry at a given time.

14. Each national registry shall have the following accounts:

- (a) At least one holding account for the Party included in Annex I;
- (b) At least one holding account for each legal entity authorized by the Party included in Annex I to hold ERUs, CERs, RMUs and/or AAUs under its responsibility;
- (c) At least one cancellation account for each commitment period for the purposes of:
 - (i) Cancelling RMUs and/or AAUs in accordance with paragraph 5 (b);
 - (ii) Cancelling ERUs, CERs, RMUs and/or AAUs in accordance with paragraph 5 (c);
- (d) One retirement account for each commitment period.

15. Each account within a national registry shall have a unique account number comprising the following elements:

- (a) Party identifier: the Party included in Annex I in whose national registry the account is maintained, identified by means of the two-letter country code defined by ISO 3166;
- (b) A unique number: a number unique to that account for the Party included in Annex I in whose national registry the account is maintained.

B. Issuance of ERUs, RMUs and AAUs

16. Each Party included in Annex I with a commitment inscribed in Annex B shall, prior to any transactions taking place for that commitment period, issue its assigned amount pursuant to Article 3, paragraphs 7 and 8, calculated in accordance with paragraphs 1 to 3bis above, into its national registry as AAUs.

17. Each AAU shall have a unique serial number comprising the following elements:

- (a) Commitment period: the commitment period for which the AAU is issued;
- (b) Party of origin: the Party included in Annex I issuing the AAU, identified by means of the two-letter country code defined by ISO 3166;
- (c) Type: an element identifying the unit as an AAU;
- (d) A unique number: a number unique to the AAU for the identified commitment period and Party included in Annex I of origin.

18. Each Party included in Annex I shall issue, at the end of the commitment period, but before the start of the additional period for fulfilling commitments, RMUs into its national registry as a result of activities under Article 3, paragraphs 3 and 4, in accordance with paragraph 4 (b) above.

18bis. Each Party included in Annex I shall ensure that the total quantity of RMUs issued into its registry pursuant to Article 3, paragraphs 3 and 4, over the commitment period does not exceed the limits established for that Party set out in Decision -/CP.7(land-use, land-use change and forestry).

18ter. Each RMU shall have a unique serial number comprising the following elements:

- (a) Commitment period: the commitment period for which the RMU is issued;
- (b) Party of origin: the Party included in Annex I issuing the RMU, identified by means of the two-letter country code defined by ISO 3166;
- (c) Type: an element identifying the unit as an RMU;
- (d) A unique number: a number unique to the RMU for the identified commitment period and Party included in Annex I of origin.

19. Each Party included in Annex I shall issue ERUs into its national registry by converting AAUs previously issued by that Party and held in its national registry. An AAU shall be converted into an ERU by adding a project identifier to the serial number and changing the type indicator in the serial number to indicate an ERU. Other elements of the serial number of the AAU shall remain unchanged. The project identifier shall identify the specific Article 6 project for which the ERUs are issued, using a number unique to the project for the Party of origin. Upon such issuance, the Party shall transfer the ERUs to the account or accounts of the project participants and Parties included in Annex I specified in their distribution agreement.

19bis. Each Party included in Annex I shall ensure that the total quantity of ERUs resulting from forest management undertaken under Article 6 issued into its registry over the commitment period does not exceed the limits established for that Party set out in Decision -/CP.7 (land-use, land-use change and forestry).

C. Transfer, acquisition, cancellation and retirement of ERUs, CERs, RMUs and AAUs

20. Each Party included in Annex I with a commitment inscribed in Annex B may transfer ERUs and AAUs and acquire ERUs, CERs and AAUs.

21. Each Party included in Annex I with a commitment inscribed in Annex B:

- (a) Shall cancel, at the end of the commitment period, but before the start of the additional period for fulfilling commitments RMUs and/or AAUs equivalent to net sources

of greenhouse gases from activities under Article 3, paragraphs 3 and 4, in accordance with paragraph 5 (b) above, by transferring RMUs and/or AAUs to a cancellation account in its national registry;

(b) May cancel ERUs, CERs, RMUs and/or AAUs so they cannot be used in fulfilment of commitments under Article 3, paragraph 1, in accordance with paragraph 5 (c) above, by transferring ERUs, CERs, RMUs and/or AAUs to a cancellation account in its national registry. Legal entities, where authorized by the Party included in Annex I, may also perform this function.

22. Each Party included in Annex I with a commitment inscribed in Annex B shall retire ERUs, CERs, RMUs and/or AAUs for the purpose of contributing to its retirement amount to be used in fulfilment of its commitment under Article 3, paragraph 1, in accordance with paragraph 6 above, by transferring ERUs, CERs, RMUs and/or AAUs to the retirement account in its national registry.

23. ERUs, CERs, RMUs and AAUs transferred to cancellation or retirement accounts may not be further transferred. ERUs, CERs, RMUs and AAUs transferred to cancellation accounts may not be used for the purpose of demonstrating the compliance of a Party included in Annex I with its commitment under Article 3, paragraph 1.

24. Each Party included in Annex I with a commitment inscribed in Annex B may carry over AAUs, CERs and ERUs held by that Party to the subsequent commitment period, in accordance with paragraph 8 and 8bis above. Each AAU, CER and ERU carried over in this manner shall maintain its original serial number. AAUs, CERs and ERUs of a previous commitment period which have not been carried over in this manner as well as RMUs of a previous commitment period shall be cancelled after the end of the additional period for fulfilling commitments.

25. Where the Compliance Committee determines that the Party included in Annex I is not in compliance with its commitment under Article 3, paragraph 1, for a commitment period, AAUs previously carried over into the subsequent commitment period, equal to the amount in tonnes of excess emissions, shall be transferred to the retirement account of the Party and for the commitment period for which such non-compliance was determined, in accordance with paragraph 9 above.

D. Transaction procedures

26. The secretariat shall establish and maintain an independent transaction log to ensure the validity of transactions, including the issuance, transfer, acquisition, cancellation and retirement of ERUs and AAUs; the issuance, acquisition, cancellation and retirement of CERs and the issuance, cancellation and retirement of RMUs. The transaction log shall ensure that each ERU, CER, RMU and AAU is held in only one account in one registry at a given time.

27. A Party included in Annex I shall initiate issuance of an AAU and/or RMU by directing its national registry to issue AAUs and/or RMUs into a specific account within that registry. The executive board of the CDM shall initiate issuance of a CER by directing the CDM registry to issue CERs into its pending account in accordance with the requirements under Article 12. A Party included in Annex I shall initiate issuance of an ERU by directing its national registry to convert specified AAUs into ERUs within an account of that national registry. Subject to notification by the transaction log that there are no discrepancies pertaining to the issuance, the issuance shall be completed when specific ERUs, CERs, RMUs or AAUs are recorded in the specified account and, in the case of ERUs, the specified AAUs are removed from the account.

28. A Party included in Annex I shall initiate any transfer of ERUs, CERs, RMUs and/or AAUs, including any transfer to cancellation and retirement accounts, by directing its national registry to transfer specified ERUs, CERs, RMUs and/or AAUs to a specific account within that registry or to transfer specified ERUs and/or AAUs to a specific account within another registry. The executive board of the CDM shall initiate any transfer of CERs by directing the CDM registry to transfer specified CERs to a specific account within that registry or another registry. Subject to notification by the transaction log that there are no discrepancies pertaining to the transfer, the transfer shall be completed when the specified ERUs, CERs, RMUs and/or AAUs are removed from the transferring account and are recorded in the acquiring account.

29. Upon the initiation of any issuance, cancellation or retirement of ERUs, CERs, RMUs and/or AAUs, and transfer of ERUs or AAUs, and prior to the completion of those transactions:

(a) The initiating registry shall create a unique transaction number comprising: the commitment period for which the transaction is proposed; the Party identifier for the Party included in Annex I initiating the transaction (using the two-letter country code defined by ISO 3166); and a number unique to that transaction for the commitment period and initiating Party;

(b) The initiating registry shall send a record of the proposed transaction to the transaction log or, in the case of transfers to another registry, to the acquiring national registry. The record shall include: the transaction number; the transaction type (issuance, transfer, cancellation or retirement, further distinguished in accordance with the categories in paragraphs 4 and 5 above); the serial numbers of the relevant ERUs, CERs, RMUs or AAUs; and the relevant account numbers. In the case of transfers to another registry, the acquiring registry, subject to its acceptance of the proposed transaction, shall send the record to the transaction log;

(c) The transaction log shall, upon receipt of the record, conduct an automated check to ensure that there are no discrepancies with regard to units previously retired or cancelled; duplicated units; units improperly issued; units not carried over from a previous commitment period; the eligibility of Parties involved in the transaction to participate in the mechanisms; the eligibility of legal entities involved in the transaction to hold ERUs,

CERs, RMUs or AAUs; and infringements on the commitment period reserve of the Party included in Annex I established in the requirements under Article 17 and on the maximum value inscribed in the appendix to the decision -/CP.7 (land-use, land-use change and forestry), regarding forest management activities under Article 3.4. Upon completion of the automated check, the transaction log shall notify the initiating and, in the case of transfers to another registry, the acquiring Party's registry of the results of the automated check;

(d) If a discrepancy is notified by the transaction log, the initiating registry shall terminate the transaction;

(e) If no discrepancy is notified by the transaction log, the initiating registry and, in the case of transfers to another registry, the acquiring Party's registry shall complete or terminate the transaction and send the record and a notification of completion or termination of the transaction to the transaction log. In the case of transfers to another registry, the initiating and acquiring Parties' registries shall also send their records and notifications to each other.

30. The transaction log shall record, and make publicly available, all transaction records and the date and time of completion of each transaction, to facilitate its automated checks and the review under Article 8.

E. Publicly accessible information

31. Each national registry shall record non-confidential information and provide a publicly accessible user interface through the Internet that allows interested persons to query and view it.

32. The information referred to in **paragraph 31** shall include the following account information relevant to the national registry, for each account number:

(a) Account name: the holder of the account;

(b) Account type: the type of account (holding, cancellation or retirement);

(c) Commitment period: the commitment period with which a cancellation or retirement account is associated;

(d) Representative identifier: the representative of the account holder, using the Party identifier (the two-letter country code defined by ISO 3166) and a number unique to that representative within the Party's registry;

(e) Representative name and contact information: the full name, mailing address, telephone number, facsimile number and email address of the representative of the account holder.

33. The information referred to in paragraph 31 shall include the following Article 6 project information, for each project identifier against which the Party included in Annex I has issued ERUs:

(a) Project name: a unique name for the project;

(b) Project location: the Party included in Annex I and town or region in which the project is located;

(c) Years of ERU issuance: the years in which ERUs have been issued as a result of the Article 6 project;

(d) Reports: downloadable electronic versions of all documentation relating to the project, including proposals, monitoring, verification and issuance of ERUs, where relevant, subject to confidentiality provisions in decision -/CP.1 (Article 6).

33bis. The information referred to in paragraph 31 shall include the following Article 3 paragraphs 3 and 4 activity information, for each activity identifier against which the Party included in Annex I has issued RMUs:

(a) Activity type: type of the activity (afforestation, reforestation, deforestation, forest management, revegetation, cropland management or grazing land management);

(b) Activity location: the Party included in Annex I and geographical location of the activity;

(c) Commitment period: commitment period in which RMUs have been issued as a result of the Article 3 paragraphs 3 and 4 activities;

(d) Reports: downloadable electronic versions of all documentation relating to the activity, in accordance with decision -/CP.7 (land-use, land-use change and forestry).

34. The information referred to in paragraph 31 shall include the following holding and transaction information relevant to the national registry, by serial numbers, for each calendar year (defined according to Greenwich Mean Time):

(a) ERUs, CERs, RMUs and AAUs in each account at the beginning of the year;

(b) AAUs issued on the basis of assigned amount pursuant to Article 3, paragraphs 7 and 8;

(c) In relation to additions:

(i) ERUs, CERs and AAUs acquired from other registries and the identity of the transferring accounts and national registries;

(ii) RMUs issued on the basis of activities under Article 3, paragraphs 3 and 4;

(d) In relation to subtractions:

(i) ERUs and AAUs transferred to other registries and the identity of the acquiring accounts and national registries;

(ii) RMUs and/or AAUs cancelled on the basis of activities under Article 3, paragraphs 3 and 4;

(iii) Other ERUs, CERs, RMUs and AAUs cancelled;

(e) ERUs, CERs, RMUs and AAUs retired;

(f) ERUs, CERs and AAUs carried over from the previous commitment period;

(g) Current holdings of ERUs, CERs, RMUs and AAUs in each account.

35. The information referred to in paragraph 31 shall include a list of legal entities authorized by the Party included in Annex I to hold ERUs, CERs, RMUs and/or AAUs under its responsibility.

IV. COMPILATION AND ACCOUNTING OF EMISSION INVENTORIES AND SUPPLEMENTARY INFORMATION UNDER ARTICLE 7 PARAGRAPH 1

A. Report upon expiration of the additional period for fulfilling commitments

36. Upon expiration of an additional period for fulfilling commitments, each Party included in Annex I with a commitment inscribed in Annex B shall report, in a standard electronic format:

(a) The total quantities of the categories of ERUs, CERs, RMUs and AAUs listed in paragraph 34 (a) to (f), for the current calendar year until the end of the additional period for fulfilling commitments (defined according to Greenwich Mean Time). This information shall only include ERUs, CERs, RMUs and AAUs valid for the previous commitment period;

(b) The total quantity of ERUs, CERs, RMUs and AAUs in its retirement account;

(c) The ERUs, CERs and AAUs which the Party included in Annex I requests to be added to its assigned amount for the subsequent commitment period.

B. Compilation and accounting database

37. The secretariat shall establish a database to compile and account for emissions and assigned amounts pursuant to Article 3, paragraphs 7 and 8, and additions to, and subtractions from, such assigned amount in accordance with paragraphs 4 and 5 above, including cancellations, retirement and carry-overs. A separate account shall be maintained in the database for each Party included in Annex I with a commitment inscribed in Annex B for each commitment period.

38. The information on emissions recorded in the database for each Party included in Annex I and each commitment period shall include:

(a) Aggregate anthropogenic annual carbon dioxide equivalent emissions of the greenhouse gases, and from the sectors/source categories, listed in Annex A to the Kyoto Protocol¹⁸ for each year of the commitment period that has been reported in accordance with Article 7 and reviewed in accordance with Article 8;

(b) Any adjustments under Article 5, paragraph 2, recorded as the difference, in carbon dioxide equivalent terms, between the adjusted estimate and the inventory estimate reported under Article 7;

(c) Aggregate anthropogenic carbon dioxide equivalent emissions in the commitment period, calculated as the sum of the amounts in subparagraphs (a) to (b) above for all years of the commitment period that have been subject to review in accordance with Article 8;

(d) Aggregate anthropogenic carbon dioxide equivalent emissions and removals of the greenhouse gases listed in Annex A to the Kyoto Protocol from activities under Article 3, paragraphs 3 and 4, that have been reported in accordance with Article 7 and reviewed in accordance with Article 8.

39. Where a Party included in Annex I submits recalculated estimates of emissions and removals of greenhouse gases for a year of the commitment period, subject to the review in accordance with Article 8, appropriate amendments shall be made to the information contained in the database including, where relevant, the removal of previously applied adjustments.

40. The information recorded in the database for each Party included in Annex I and each commitment period shall include:

(a) The assigned amount pursuant Article 3, paragraphs 7 and 8;

¹⁸ Including, for Parties included in Annex I for which land-use change and forestry constituted a net source of greenhouse gas emissions in 1990, emissions by sources and removals by sinks from land-use change (all emissions by sources minus removals by sinks reported in relation to the conversion of forests (deforestation)).

(b) The supplementary information reported in accordance with Article 7, paragraph 1, and reviewed in accordance with Article 8, related to ERUs, CERs, RMUs and AAUs;

(c) The information reported upon expiration of the additional period for fulfilling commitments in accordance with paragraph 36 and reviewed in accordance with Article 8.

C. Compilation and accounting reports

41. The secretariat shall compile and account information contained in its database on the emission inventories and supplementary information under Article 7 paragraph 1 of each Party included in Annex I, on an annual basis as well as upon the expiration of an additional period for fulfilling commitments, to assist the COP/MOP and the Compliance Committee in assessing the compliance of each Party included in Annex I with its commitment under Article 3, paragraph 1.

42. The secretariat shall publish an annual compilation and accounting report for each Party included in Annex I and forward it to the COP/MOP, the Compliance Committee and the Party concerned, indicating, inter alia, its current retirement amount and aggregate anthropogenic carbon dioxide equivalent emissions for all years of the commitment period that have been subject to review in accordance with Article 8.

43. After the commitment period and the additional period for fulfilling commitments, the secretariat shall publish a final compilation and accounting report for each Party included in Annex I and forward it to the COP/MOP, the Compliance Committee and the Party concerned, indicating:

(a) Whether the retirement amount of the Party is equivalent to its aggregate anthropogenic carbon dioxide equivalent emissions for the commitment period;

(b) Where appropriate, the quantity of AAUs of the Party which is available to be carried over to the subsequent commitment period;

(c) Where appropriate, the amount in tonnes by which the aggregate anthropogenic carbon dioxide equivalent emissions exceed the retirement amount for the commitment period, expressed also as a percentage of the retirement amount.

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