

# **Proposed Revisions to the Note by the Chairman of the Contact Group on Mechanisms of 5 November**

**Submission by Australia, Canada, Iceland, Japan, New Zealand, Norway, Russian Federation, Ukraine, and the United States**

**31 January, 2000**

In the submission below we make a number of suggestions for clarifying and condensing the text. We note that there are likely to be areas where the text could be improved by moving paragraphs to appendices. In instances where we have, or intend to, elaborate technical appendices, for simplicity, we have not sought to include a position or option in the main body of the Note. We intend to make further input to more fully elaborate our position as the opportunity arises.

## **PART TWO: Article 6 Projects**

Para 29 Option 2 (a)—Given that paragraph 20 (g) defines ‘Party’, this sentence could be deleted.

Para 30—In the first line insert ‘domestic’ after ‘develop’ and insert ‘to augment international rules’ after ‘guidance’.

Para 40—The contents of this paragraph should be included as an option in paragraph 39.

Para 53—To reflect our position correctly, in the second sentence move the code marker ‘4’ from ‘paragraph 1’ to immediately after ‘Article 7’.

Para 58 (a)—This paragraph should be deleted because it is repeated in paragraph 41 option 3.

Para 58 (b)—This paragraph should be deleted and merged into paragraph 35 option 2.

Para 58 (c)—This paragraph should be deleted because it is repeated in paragraph 41 option 3.

Para 58 (d)—This paragraph should be moved into paragraph 35 option 2.

Para 59 (a)—This paragraph should be deleted because it is repeated in paragraph 35 option 1.

Para 59 (b)—This paragraph should be deleted because it is repeated in paragraph 30.

Para 59 (c)—This paragraph should be deleted because it is repeated in paragraph 46.

Para 59 (d)—This paragraph should be deleted because it is repeated in paragraph 53.

Para 63 (h)—This paragraph could be deleted since it is contained in the paragraph that follows, 63 (i).

Para 66 (e)—All references to our submissions in this subparagraph should be deleted..

Para 69—This paragraph could be deleted since it is already contained in paragraph 63 (i).

Para 71—It is unclear who is bound by several subparagraphs here. For instance, in subparagraph (c) it states that private and/or public entities are subject to guidance provided by the executive board—but it does not specify what type of guidance will be provided, presumably it refers to participation by entities. This requires clarification. In subparagraph (d) and (e) is the Party or the entities meant to be bound by these compliance subparagraphs. If in subparagraph (e) it is linked to the entity and not the Party, it should be deleted since compliance with the Protocol is the responsibility of the Parties and not their entities.

We propose that Paras 71 to 73 be presented as two options. Option 1 would consist of the existing paragraphs (appropriately modified). Option 2 would be: ‘A Party may develop rules or guidance that are consistent with rules established by the COP/moP and the Executive Board for the participation in clean development mechanism project activities of that Party and of entities resident in or operating in the jurisdiction of that Party.’

Para 76—Delete the code marker ‘4’ after ‘Option 1’ and ‘Option 2’.

## **II. Methodological and Operational Issues**

### **A. Project validation/registration**

Para 85—In subparagraph (a) delete the ‘, and’ at the end. It is not clear whether subparagraphs (f) and (g) are needed since they would be covered in the Appendix; therefore we suggest moving these subparagraphs to the appendix.

In subparagraph (c), the intent of our earlier comments was not to merge subparagraphs (a) and (c) but to edit it to reflect what is contained in paragraph 86. We suggest subparagraphs (a) to (c) and (g) be edited as follows:

- (a) It is approved by each Party involved as indicated by a letter of endorsement. A Party may develop its own internal mechanisms and criteria for project approval based on its domestic circumstances. These mechanisms and criteria shall be made publicly accessible. A Party may define priority sectors for the formulation of CDM projects. (Sentences 2 – 4 are from paragraph 94.)
- (b) No changes
- (c) It contributes to the sustainable development priorities of the Party not included in Annex I as specified in paragraph 86.
- (g) Insert after ‘lower emissions’ ‘or enhance removals by sinks’.

## **B. Project Financing**

Para 96 Option 2—Add brackets to this option after the phrase ‘portfolio approach’ through the end of the paragraph.

## **E. Certification/issuance of CERs**

Para 107—The options listed in this paragraph are not ‘procedural’ as the chapeau would suggest.

Para 108 subparagraph (c)—This subparagraph should be deleted. Participation by Parties is covered in section D. Participation. Entities involved in the project will have to have established their eligibility to participate under paragraph 85. Paragraph 66 (e) contains some of the elements in the second part of the subparagraph. However, since proposals on participation in the CDM do not include all of the Articles listed in this paragraph, it seems inconsistent to require this compliance for certification of emissions reductions.

Para 109—Bracket the new insertion, [in light of the requirements of Article 12, paragraph 5], in option 1.

Para 110—Is linked to project validation/registration not certification/issuance of CERs and should be moved to Section A.

Para 114—We would like to see original paragraph 67 not merged with paragraph 114 but listed separately as paragraph 114 bis and the words ‘in accordance with procedures defined under Article 18’ bracketed.

Para 115—A word seems to be missing in the second line after Article 3—commitments.

Para 116—Move paragraph 116 to 66bis to group it with other paragraphs on participation.

**G. Adaptation Assistance**—This section is linked to the section on share of proceeds; therefore it should be moved to the appropriate section and cross-references should be made. For example, paragraph 78 establishes a CDM adaptation fund but no mention of this is made in this section.

Para 117—The share of proceeds will be subject to the same additionality requirements as the project activity since that is what it will be derived from; therefore the second sentence in this paragraph can be deleted.

Para 123—Delete ‘[in accordance with Appendix D<sup>4</sup>]’ from the first line.

Para 123bis—This appears to be an option to paragraph 124.

Para 128 (e)—This subparagraph should be deleted. Paragraph 71 (c) states that entities can participate subject to guidance provided by the executive board. It is also only one option for how participation of entities can be determined.

Para 131 (g)—It should be made clear that this is only one possible option of how CERs would be issued. We suggest adding a note that points to paragraph 140 for additional options of how CERs could be issued.

Subparagraph (i) should be bracketed since it is only an option, see paragraph 96, option 2, and the outcome of this section will be dependent on how paragraph 96 is resolved.

Subparagraph (k) is already covered in both the share of proceeds section and in paragraph 127 (c). This subparagraph is inconsistent with the other sections unless this is listed as an option to the other two possibilities.

Subparagraph (q) bis—as with subparagraph (k), this is dealt with in other sections of the text on the CDM.

Para 132 (f)—this should be bracketed since it is an option, see paragraph 99, option 2.

Para 133—reinsert the ‘a’ at the end of the first line.

Para 144—This paragraph could be deleted because these functions are essentially contained in paragraph 143.

Para 145—reinsert the ‘A’ at the beginning of the sentence.

## **Appendices G and H**

The appendices G (Share of Proceeds) and H (Adaptation) may not be necessary because these issues are not technical in nature and are already dealt with to some extent in the main body of the text on the CDM (under the current paragraphs I. E. and II. G, respectively). We are submitting proposed decision language on these issues under separate cover.

## **PART FOUR: Emissions Trading**

Para 150—reinsert brackets around this paragraph.

Para 152 Option 2—place ‘or authorize any legal entity to participate’ in brackets.

Para 165 bis—Insert a new paragraph to reflect the contents of deleted paragraph 153 to read as follows: ‘If a Party’s consistency with the requirements of Article 17 is called into question [by the review process under Article 8] [by other means], the issue will be expeditiously resolved [through a general procedure applicable to the Protocol] [through a specialized procedure]<sup>4</sup>’.

Para 169—In the light of the insertion of Para 165 bis delete the bracketed text and the attribution to us in Para 169.

Para 174—Insert our code (4) following ‘Appendix C’.

## **Appendices**

### Section C. Registries

Para 56—First sentence is redundant with paragraph 170 option 2, and should therefore be deleted here. Second sentence should be added as an option under paragraph 158 bis option 2.

Para 57—Put ‘and the prices of all transfers and acquisitions’ in brackets.

Paras 58, 59 and 60—Can be folded into Section D of the text as these paragraphs are general descriptions of the requirement to maintain registries. The last sentence of paragraph 60 can be moved to Section E on reporting.