

Box B. Mechanisms

COP/MOP <-> Executive Board

A. Composition of the Executive Board of the CDM

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

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

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

C. Institutions for a prompt start for the CDM

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

Eligibility of project activities under the CDM

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

Supplementarity

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

Trading modalities and liability

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

Fungibility

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

Promotion of geographic distribution of CDM projects

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

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

