

**Issues relating to emissions trading and the project-based mechanisms that may be considered for possible application within the current commitment period, compiled by the Chair of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol**

This annex is the compilation of views of Parties and does not prejudice any actions by the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol.

**I. Clean development mechanism**

**A. Scope**

**B. Effectiveness and efficiency**

1. Enhancements to the supervisory role of the Executive Board of the clean development mechanism (CDM):
  - (a) Delegate technical decision-making to the secretariat, on the basis of rules and relevant best practices, to allow the Executive Board to move away from case-by-case decisionmaking;
  - (b) Enhance the transparency of decision-making by the Executive Board by providing the rationale for decisions;
  - (c) Change the manner in which requests for the review of project activities are made;
  - (d) Introduce a process for appeals in relation to decisions by the Executive Board;
  - (e) Extend privileges and immunities to individuals serving as Executive Board members.<sup>1</sup>
2. Enhancements to the efficiency of the Executive Board:
  - (a) Enhance the consistency of decision-making by the Executive Board;
  - (b) Ensure that members of the Executive Board possess appropriate expertise as defined in paragraph 8 of the annex to decision 3/CMP.1.
3. Role of the secretariat:

---

<sup>1</sup> This issue is being considered by the Subsidiary Body for Implementation under its work on the preparation for the second review of the Kyoto Protocol pursuant to its Article 9.

- (a) Enhance the role of the secretariat through delegation of technical decision-making;
  - (b) Ensure the neutrality of the secretariat;
  - (c) Introduce measures to improve the management of support to the Executive Board.
4. Designated operational entities (DOEs):
- (a) Ensure that the Executive Board provides clear guidance to DOEs on their roles;
  - (b) Enhance the quality and consistency of assessments by DOEs, in particular in relation to environmental integrity;
  - (c) Introduce penalties for poor-quality performance of DOEs;
  - (d) Reduce barriers to the entry of new DOEs;
  - (e) Facilitate regional distribution of DOEs.
5. Alternative ways to ensure environmental integrity and assess the additionality of projects:
- (a) Develop benchmarks, based on conservative assumptions;
  - (b) Make baseline setting more objective and robust;
  - (c) Remove investment additionality from the additionality test;
  - (d) Introduce improved measures for testing environmental and social impacts;
  - (e) Remove perverse incentives created by CDM project eligibility that inhibit climatefriendly national policies;
  - (f) Develop a system to deal with unintended consequences of CDM projects.

### **C. Accessibility<sup>2,3</sup>**

6. Continuously identify and reduce barriers to the development of CDM projects in countries with few projects.

---

<sup>2</sup> Equitable regional distribution is being considered by the SBI under its work on the preparation for the second review of the Kyoto Protocol pursuant to its Article 9.

<sup>3</sup> Non-permanence and other methodological issues are being considered by the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol under its work on land use, land-use change and forestry.

7. Simplify further the modalities and procedures for small-scale project activities.
8. Enhance capacity-building and enabling environments:

Establish a capacity-building role for the Executive Board.

**D. Contribution to sustainable development, capacity to generate co-benefits and the transfer of technology**

9. Enhance programmatic CDM.
10. Increase the co-benefits of CDM projects (e.g. energy efficiency):

Introduce ways to address barriers to projects with high environmental co-benefits (e.g. targeted capacity-building).

## **II. Joint implementation**

### **A. Scope**

### **B. Effectiveness and efficiency**

11. Enhancements to the supervisory role of the Joint Implementation Supervisory Committee (JISC):
  - (a) Delegate technical decision-making to the secretariat, on the basis of rules and relevant best practices, to allow the JISC to move away from case-by-case decision-making;
  - (b) Enhance the transparency of decision-making by the JISC by providing the rationale for decisions;
  - (c) Change the manner in which requests for the review of project activities are made;
  - (d) Introduce a process for appeals in relation to decisions by the JISC;
  - (e) Extend privileges and immunities to individuals serving as JISC members.<sup>4</sup>
12. Enhancements to the efficiency of the JISC:
  - (a) Enhance the consistency of decision-making by the JISC;
  - (b) Ensure that members of the JISC possess appropriate expertise as defined in paragraph 10 of the annex to decision 9/CMP.1.
13. Role of the secretariat:

- (a) Enhance the role of the secretariat through delegation of technical decision-making;
  - (b) Ensure the neutrality of the secretariat;
  - (c) Introduce measures to improve the management of support to the JISC.
14. Accredited independent entities (AIEs):
- (a) Ensure that the JISC provides clear guidance to the AIEs on their roles;
  - (b) Enhance the quality and consistency of assessments by AIEs, in particular in relation to environmental integrity;
  - (c) Introduce penalties for poor-quality performance of AIEs;
  - (d) Reduce barriers to the entry of new AIEs;
  - (e) Facilitate regional distribution of AIEs.
15. Alternative ways to ensure environmental integrity and assess the additionality of projects:
- (a) Develop benchmarks, based on conservative assumptions;
  - (b) Make baseline setting more objective and robust;
  - (c) Remove investment additionality from the additionality test;
  - (d) Introduce improved measures for testing environmental and social impacts;
  - (e) Remove perverse incentives created by joint implementation (JI) project eligibility that inhibit climate-friendly national policies;
  - (f) Develop a system to deal with unintended consequences of JI projects.

### **C. Accessibility<sup>5</sup>**

16. Continuously identify and reduce barriers to the development of JI projects in countries with few projects.

17. Enhance capacity-building and enabling environments:

Establish a capacity-building role for the JISC.

---

<sup>5</sup> Non-permanence and other methodological issues are being considered by the AWG-KP under its work on LULUCF.

**D. Contribution to sustainable development, capacity to generate co-benefits and the transfer of technology**

18. Allow programmatic JI.

19. Increase the co-benefits of JI projects (e.g. energy efficiency):

Introduce ways to address barriers to projects with high environmental co-benefits (e.g. targeted capacity-building).

**III. Emissions trading (Article 17)**

**A. Scope**

**B. Effectiveness and efficiency**

**C. Accessibility**

**D. Contribution to sustainable development, capacity to generate co-benefits and the transfer of technology**

**IV. Cross-cutting issues**

20. Improve the procedure of inscribing commitments for Annex I Parties in Annex B to the Kyoto Protocol.<sup>6</sup>

---

<sup>6</sup> This issue is being considered by the SBI under its work on the preparation for the second review of the Kyoto Protocol pursuant to its Article 9.