

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.¹
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:

¹ 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^{2,3}

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

² 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.

³ 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.⁴
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. Accessibility⁵

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.

⁵ 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.⁶

⁶ 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.