

- 2 • a critical evaluation of the Convention and the Protocol's financial mechanism as a means of assessing both the obligations of Annex I Parties, and the adequacy of the mechanism in assisting non-Annex I Parties to comply with the Protocol.

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- Only Parties that are in compliance with their obligations and are bound by a compliance regime should be allowed to participate in the Kyoto Protocol mechanisms.

- Binding consequences for non-compliance are essential. This will enhance the Parties collective ability to deter non-compliance.

- ✓ • Consequences resulting from non-compliance should be proportional and responsive to the case at hand.

- • In dealing with cases of non-compliance, facilitative as well as enforcement measures should be employed.

- o • It may be desirable to identify cases and/or activities that may constitute non-compliance.

- o • An indicative list of non-compliance consequences, depending on the cause, type, degree and frequency of non-compliance should be devised. These could include *inter alia* –

- ✓ • Appropriate assistance, including technical and financial expertise and capacity building;
- ✓ • Issuing cautions;
- ✓ • Suspension of rights, including ability to participate in Article 6, 12 and 17;
- • Penalties, including financial penalties for Annex B Parties.

- • Financial penalties resulting from a non-compliance procedure should be made available to meet the cost of adaptation.

- ✓ • If necessary, an appropriate institution or body may be required to consider each case of non-compliance. Relevant procedures and the review process will need to be determined. The application of the principle of due process should be fully taken into account. The constitution of such an institution or body shall be based on the principle of equitable geographical representation.

- o • The benefits of establishing procedures for imposing automatic consequences in certain circumstances to cases of non-compliance should be explored.

- The compliance regime will be essential to strengthen the domestic and regional arrangements of Annex B Parties.