

competency to become a Party to a Kyoto Agreement. In both debates, the EU did not provide fully satisfactory responses.

16. Compliance: Canada tried to include in the negotiating text some building blocks for a regime, particularly an explicit reference to a possible Early Warning System, which would address cases of probable non-compliance, including those resulting from unforeseen circumstances. Issue was referred to a working group chaired by Canada, and while some delegates were reluctant to have detailed discussions pre-Kyoto, group produced an improved text. The resulting Article 17bis now providing that the non-compliance regime to be established would take into account the reasons and circumstances for non-compliance. It is also requiring further negotiation on penalties, possibly an agreement before Kyoto to specify or restrict possible penalties, for which further policy guidance would be needed. The Group of G77 and China supported financial penalties, initially proposed by Brazil (with little support so far). No delegation proposed trade measures. (Neither are supported by Canada). The non-group on institutions developed an improved text of Article 17 providing for the application of the concept of the Multilateral Consultative Process referred under the Convention to the Protocol. Through this Article, Canada would be able to further develop an Early Warning System, preferably in prompt start discussions to take place prior to the entry into force of the Protocol.

17. Policies and Measures: These issues moved some. The US and EU, which held very divergent views on the treatment of P&Ms in the past, now stand within a reasonable range. While they had some concerns with the Chair's text, JUSCANZ countries generally found that it did hit good middle ground. EU and G77 were successful in re-inserting some key elements of their respective proposals: for the EU, this includes a strong coordination process and a mandatory list of intrusive P&Ms. The G77 elements include a conditional link to the compensation to accommodate impacts on developing countries, and a new set of mandatory measures, which reveals the fragile balance between OPEC and AOSIS interests within the G77. As a result of thorny negotiations, Article 2 is now longer and more complicated. Canada ensured that the text accommodates its interests, with maximum flexibility left up to Parties. Consensus text was reached on provision on national P&Ms and cooperation between Parties on information sharing. This text was the outcome of a small contact group chaired by Canada.

18. DEVELOPING COUNTRIES' ISSUES: Advancing Article 4.1: Some progress was registered on this Article, although the discussions were divisive and much remains unresolved. The contentious issues include formulation and implementation of national programs for mitigation, technology transfer, taking climate change considerations into account in decision-making by the govts and the international financial institutions. Negotiations were generally tough, with typical Annex 1 and G 77 dialogue over the interpretation of quote advancement of commitments unquote, definition of quote mitigation unquote, and inclusion of quote funding from developed Parties unquote wherever possible in the text.