

appropriate time horizons. Although no consensus was reached by the contact group and in plenary, discussions held bilaterally, and within the Sink contact group, indicate that much of the concern associated with GWPs, and the use of a basket approach will be dealt with in further intersessional consultations on sinks, since they deal with uncertainties and verification. For now uncertainties related to these issues are preventing agreement on either a "net approach" or on comprehensive coverage. Both are supported by Canada.

12. Flexibility for EITs: A new negotiating text was introduced which basically restates the provisions of the FCCC, namely that special flexibility should be provided in the case of those Annex 1 Parties who are undergoing a transition to a market economy. It also continues to allow some of these countries flexibility on their base years, in keeping with a COP 2 decision.

13. Greenhouse Gas Emissions Trading: The EU and G-77 continue to express strong reservations on the inclusion of an article on trading in the negotiating text. The G-77 strongly feels that it contradicts the terms of the Berlin Mandate and refused to enter into any substantive issues on the topic. EU and JUSCANZ Parties, with Canada coordinating, successfully drafted an improvement to the Chairman's text although consensus on the document was not reached within the OECD. The EU is divided on this issue with UK, in particular, strongly promoting it, and others, especially France, opposing it.

14. Joint Implementation (JI): Discussions did not advance this file in any measurable way. ACAP (core JUSCANZ) colleagues spoke with one voice supporting inclusion of the premise in the Protocol of allowing projects to take place in developing countries and supported crediting of those projects, although the US and Canada took the lead. G77 wants total deletion of the Article. EU wants JI only among Annex 1 and Article 10 Parties (developing country Parties which assume binding commitments on a voluntary basis). The text has JI only among Annex 1 and Article 10 countries (the EU position), with any future participation of LDCs left conditional upon some possible future decision of the COP on the future of the Pilot Phase under the Convention.

15. EU Bubble - Two discussions were held on this thorny issue, one on policy aspects, such as the political acceptance of joint commitments under the EU Bubble, and the second one on the legal aspects, such as accountability of the EU in cases on non-compliance. In the policy debate, Canada with other like-minded countries, indicated that the EU Bubble is not acceptable. They refused the EU Bubble from an equity perspective and criticized its lack of transparency, particularly with respect to competencies and accountability. Some made linkages to trading by explaining that the EU could pursue burden sharing through emissions trading rather than through a questionable bubble. The legal debate, which was based on a draft EU legal text, focussed on obtaining clarification from the EU on the issue of accountability of the EU in cases of non-compliance, implications of future modifications of EU membership on the EU QELROS and the EU's