

among parties, joint implementation and the clean development mechanism involve transfers of emission reduction credits generated by specific projects undertaken for this purpose. While joint implementation and emissions trading takes place among Annex I parties, the clean development mechanism also involves developing countries.

Discussions have begun on a variety of issues in need of further clarification and guidance before the first meeting of the Protocol parties upon entry into force. Initial negotiation of guidelines and requirements for the use of the flexibility mechanisms got underway during 1998. Discussions have also taken place on considering, under Article 3.4, the inclusion of sinks related activities other than those listed in Article 3.3 for the purposes of meeting emission reduction commitments (*e.g.* soils sinks activities). A further topic of discussion is the development of "effective and appropriate" compliance procedures and mechanisms, to be approved by the first meeting of the parties to the Protocol (Article 18). Canada has also been actively involved in discussions on greater involvement of developing countries. All of the above-mentioned issues will be among the items on the agenda of the Fourth Conference of the FCCC Parties, to be held in Buenos Aires in November 1998.

d) **Biodiversity**

Negotiations are underway for a global agreement on the safe transfer, handling and use of living modified organisms. These negotiations are conducted under the auspices of the Biodiversity Convention and aim at the adoption of a Biosafety Protocol to the Convention. The negotiations are focused on the transboundary movement of living modified organisms resulting from modern biotechnology that may have adverse effect on the conservation and use of biological diversity. The centerpiece of the Protocol is an "advanced informed agreement" (AIA) regime, requiring the notification of an intended transboundary shipment of living modified organisms and the assessment of associated risks before the receiving state permits import. The fourth and fifth sessions of the *Ad Hoc* Working Group on Biosafety took place in Montreal in February and August 1998. At the fifth session, the draft text of the Protocol was significantly consolidated and streamlined. However, differences remain regarding many of the key negotiating issues. These include issues related to the scope of the Protocol and the AIA regime, the allocation of responsibilities between importing and exporting states, and between importers and exporters, the need for a liability regime, and capacity building. Nonetheless, the negotiations on the Protocol are expected to conclude at the sixth session of the Working Group, and the Protocol would then be adopted by an extraordinary Conference of the Parties to the Biodiversity Convention, both to be held in Colombia in February 1999.