

guidelines and procedures that insure the environmental additionality of each and every project. While these project procedures may take different forms, for example, developing baselines project-by-project or through more standardized approaches, the integrity of CDM involves thorough reviews at all institutional levels from operational entities, to the Executive Board and ultimately by the COP/MOP.

Article 6 projects, which occur only among Annex B Parties, are somewhat of a hybrid. Article 6 requires the investor Party to be in compliance with Articles 5 and 7. Article 6 projects, moreover, take place in the context of national targets. Each transfer of credits under Article 6 must be accompanied by a transfer of assigned amount. This should give the transferring Party an incentive to ensure that any ERUs transferred correspond to actual emission reductions. In meeting their estimation and reporting requirements both Parties to a JI project would provide transparency while ensuring that the transfer of ERUs does not compromise environmental integrity. Further consideration should be given to how to evaluate project-level additionality in the case where both Parties do meet their inventory and reporting requirements. In any case, the procedures and requirements for JI should be built recognizing its unique character.

Mr. Chairman, the United States is eager to produce as much technical progress as possible on the mechanisms at this meeting. In this regard we welcome the procedure suggested by the Secretariat for further work at this session. We note however that the discussions of registries and liability issues should not be confined to emissions trading. With this modification in mind, we look forward to a cooperative discussion.

In summary, Mr. Chairman, the Kyoto Mechanisms have similarities and differences in their implementation, but in each case the procedures for insuring their environmental credibility will be applied differently. That is not a bad thing -- it is an opportunity to achieve the maximum environmental benefit by creating incentives to involve the participation of all Parties, local and regional governments, the business community and NGOs. Our challenge is to grab this opportunity to create innovative mechanisms that will allow us to achieve what we all seek -- the greatest environmental result.

Thank you, Mr. Chairman.