

decisions on any matter required for the implementation of the Protocol. For Canada, this does not necessarily mean that the CoP/moP should be able to reverse the determination of a body of expert by a simple majority vote. Such a procedure would more than likely politicise a process which was precisely meant to be rooted in fact.

- Yesterday, we heard at least one delegation propose that, at this stage, the CoP/moP could take note of a compliance body decision and endorse it. Alternatives include the rule of negative consensus followed by the Dispute Settlement Body of the WTO whereby a compliance body decision would be adopted unless there was unanimous consensus not to adopt it. Super majority voting requirements may also be considered as a way to help ensure that the final outcome be legally and technically sound and not the result of a political debate. However, the latter option appears to be less desirable.

9. "Linkages to Article 19"

- Any compliance system must be designed without prejudice to Article 19 of the Protocol. Canada firmly believes that the purpose of compliance is not to resolve a dispute arising between two or more Parties but to provide means to ensure that Parties meet their commitments.
- In that regard, as we said earlier during the discussion on structure, whether an issue moves from the Article 8 review to a compliance assessment should not depend on Parties. Canada prefers that the findings of an expert review team report determine whether an issue moves to compliance assessment or not.

10. "Consequences"

- Any compliance structure that is established to ensure that commitments are met achieves better results when it contains sufficient means that allow Parties to voluntarily address failure to meet their commitments.
- For that reason, we find that options such as a true-up period and the possibility of a Compliance Fund used, for example, to underwrite reliable greenhouse gases mitigation projects, are interesting and useful.
- "Harder" consequences, whether they are binding or not, may also be necessary with respect to Parties that would not avail themselves of the opportunities that are offered to them to meet their commitments voluntarily.
- However, such consequences should be directly related to the specific breach. Thus, while it may have drawbacks, the idea of "forced borrowing" or "subtracting excess emissions" plus a penalty rate set at a level sufficient to discourage non-compliance may be the consequence that is most directly related to a failure to meet an Article 3.1 commitment. On the other hand, suspending the possibility to participate in the Kyoto mechanisms in the next commitment period, again as a consequence to non-compliance with Article 3.1, may not be the most appropriate consequence given the difficulties it would place on a Party to meet its target in that subsequent commitment period.

[RESPONSIVE]

- Canada is firmly opposed to mandatory financial penalties or trade measures as we believe that they would not directly address any commitment in this Protocol in respect of which a Party would be found in non-compliance.