

4. A successful UNFCCC workshop has been held on mechanisms that provided expert advice on all the mechanism issues including the development of baselines associated with Article 6 and 12 projects.

Progress in these areas will go a long way to assure that the mechanisms will function in an accountable manner. Many of these issues are primarily technical issues. They will continue to need our focused attention, but they pose no insurmountable obstacles. On all of these issues, we are in a position to make real progress by COP-5 later this year, and to complete the needed rules and guidance at COP-6.

Fourth, we believe it is important to draw out the similarities between Articles 4 and 17. Under the Kyoto Protocol, each Annex B Party is taking on a commitment under Article 3 to cap its emissions at a particular level, taking into account its differentiated circumstances, and to measure and report on its total emissions. Taken together, the Parties' individual commitments will reduce their overall emissions in 2008-2012 by at least 5 percent below 1990 levels.

Within this framework, Article 4 allows a group of Parties to reallocate their individual Article 3 commitments while keeping the aggregate of those commitments unchanged. Likewise, Article 17 allows individual Parties to reallocate their Article 3 commitments while keeping the aggregate of those commitments the same.

The main difference between Articles 4 and 17 is that under Article 4 the reallocation of Article 3 commitments occurs up front through one set of nation-to-nation transfers and acquisitions of assigned amounts, while under Article 17 the reallocation occurs through individual transfers and acquisitions over the course of the commitment period.

Given these similarities, it seems appropriate to have similar approaches to verifying actions taken by countries using these two mechanisms. Likewise, it seems appropriate to have similar approaches to the consequences that come into play in case of a failure to meet Article 3 commitments. What seems particularly inappropriate is to have restrictions on one mechanism that do not apply to the other.

Fifth, the U.S. believes that review and verification are critical to insure the environmental credibility of each of the mechanisms, but their application may differ. In the case of Articles 4 and 17, review and verification procedures are based on the integrity of inventories and the transparency and completeness of reporting under Articles 5 and 7. Consequently, for Articles 4 and 17, review and verification activities must be focused on overall performance at the national level. In fact, these are fundamentals needed by all Parties that are subject to targets, whether they use the mechanisms or not.

The CDM, on the other hand, is designed to promote climate-friendly projects in Parties that do not have either Annex B targets or Article 5 and 7 obligations. Review and verification procedures for Article 12 are based on the use of specialized institutions, the Executive Board and operational entities, and the development of project-based