

If the CDM is to be effective, modalities, procedures and guidance need to be established. The CDM cannot become operational until a clear framework has been adopted, including the adoption and ratification of a compliance system, and work on these is a priority. The EU proposes that COP 4 should agree on key principles and should agree terms of reference for further work by the COP, Subsidiary Bodies and FCCC Secretariat.

Further work would include a clear definition of additionality and of the calculation of baselines to confirm that CDM projects will produce real, measurable reductions. We need to take full account of the work being done on the concept of JI and of lessons from the AIJ pilot phase. We believe that the three flexibility mechanisms should be consistent with each other.

We also need to think carefully about the processes of certification, verification and reporting for the CDM. We believe that we must encourage investment, particularly private sector investment, in emissions reductions in non-Annex I countries and ensure that reductions are real and additional.

The further work should also consider other issues: these include the rules for the use of share of proceeds for adaptation activities; categories of activities permitted under the CDM; and the respective roles of the COP/MOP, the executive board and the operational entities of the CDM.

In terms of the categories of activities to be covered by the CDM, we note that Article 12 does not refer to removals by sinks. We believe there to be considerable issues of complexity, over and above those being considered under Article 3, involved in the inclusion of sinks projects under the CDM. These merit much further thought and we therefore believe that the CDM should not apply to sinks unless the COP/MOP were to decide otherwise.

Until we have defined the tasks of the CDM more closely, we do not think we can take a final view on what form and identity the various institutions established by Article 12 will have. But we should start to discuss options. We believe that we should hold to certain principles, including that we build fully on the work and experience of relevant bodies, such as the IPCC, the Convention Secretariat and the GEF and its Implementing Agencies. This includes the experience of the IFIs, including regional development banks, in helping to mobilise private investments related to climate change.

Mr Chairman, the European Union and its Member States will do its utmost at this meeting and beyond to ensure that the CDM will operate as a successful, effective mechanism in support of the global environment.