

Implementation within Annex 1. Let us be clear - what we are pursuing is a trading regime amongst Annex 1 Parties only; that is between Parties with legally binding commitments to reduce/limit their net ghg emissions. Such a regime would allow for both project based market based joint transactions. In other words, one that would take into account countries' differing political, geographic and economic instruments.

Let me now turn to activities implemented jointly and joint implementation. As with trading, Canada views this as another important element of flexibility which answers the question of "where". It provides for significant opportunities for net ghg emissions reductions compatible with host country developmental and other priorities, in addition to being a cost-effective approach.

In Canada's view, Article 4.2 (a) is clear. It provides that JI projects can occur between developed country Parties and "other" Parties which we define as including non-Annex 1 Parties. Let me stress that this is a voluntary activity on the part of both participants - investor and the country where the investment is to occur. Experience with the AIJ pilot phase has shown that these activities can help with technology cooperation in addition to capacity building in developing countries. To conclude, Canada believes that there is a close link between emissions trading and joint implementation, and our discussions at Kyoto regarding QELROs.

We are of the view that actions to reduce emissions and enhance sinks, should be recognized and counted, whether they occur domestically or beyond our borders.

Thank you Mr. Chairman.