

A. INTRODUCTION

The Seventh Conference of the Parties (CoP7) concluded on November 10th, 2001 in Marrakech, Morocco, effectively completing the work under the Buenos Aires Plan of Action, adopted at CoP 4. This sets the stage for a decision on ratification of the Kyoto Protocol by Parties to the United Nations Framework Convention on Climate Change (UNFCCC). The decisions reached at CoP7 in Marrakech and at the second part of CoP 6 in Bonn were compiled into a text known as *The Marrakech Accords*. The decisions related to the Kyoto Mechanisms are contained in the UNFCCC document FCCC/CP/13 Add 2¹.

The Kyoto Protocol will enter into force only when ratified by at least 55 countries accounting for at least 55 percent of developed country emissions of carbon dioxide in the base year 1990.

The Kyoto Protocol establishes three market-based mechanisms aimed at achieving emissions reductions cost effectively while at the same time contributing to sustainable development. These mechanisms include:

1. International Emissions Trading - International Emissions Trading (IET) is a mechanism under the Kyoto Protocol that allows Annex I² Parties to engage in international trading of GHG emissions. Under the authority of individual Parties, entities will be able to trade GHG emissions;
2. Joint Implementation which allows an Annex I Party to implement an GHG mitigation project in another Annex I country and to earn emissions credits equal to the resulting reductions;
3. The Clean Development Mechanism (CDM), which has the dual purpose of allowing developed countries to earn emissions credits for undertaking projects that reduce emissions or enhance removals by sinks³ in non-Annex I countries, and of contributing to their sustainable development.

With the agreements in Bonn and Marrakech, the modalities and procedures for the Kyoto Mechanisms are now elaborated. This should provide the public or private sector entities interested in the CDM with the clarity on the rules pertaining to the participation requirements and how to access these mechanisms.

Further technical details related to the CDM such as the simplified procedures for small-scale projects, baseline and monitoring methodologies are being worked out by the Clean Development Mechanisms' Executive Board for adoption at the 8th Conference of the Parties. The elaboration of rules for sinks activities eligible under the CDM, along with the technical details involved with the registries and transactions log, are expected to be worked out by the 9th Conference of the Parties.

¹ Available at <http://unfccc.int/wnew/index.html> as the COP 7 REPORT and ADDENDUM 1, 2, 3, 4.

² Annex I Parties have a quantified emission reduction target. Non-Annex I Parties do not have emission reduction targets.

³ Only Afforestation and Reforestation are eligible under the CDM.