

those nation's emissions would have been in the absence of a target. The Argentine proposal of tying the target to economic growth and commodity prices has merit in this regard, but must be carefully and critically scrutinized. Scrutiny should ensure that other factors, such as endogenous improvements in energy efficiency and fuel mix are also factored into the target. Targets can be set at levels that benefit Argentina and Kazakhstan, but only due to increased international investment in emission reductions.

One mechanism that could potentially be used to accommodate the Argentinian floating target is to treat the target the baseline in a CDM project (the project being the Argentine economy). However, whatever mechanism Argentina or Kazakhstan proposes, they should be subject to equivalent reporting and monitoring regime as Annex B nations.

## **LULUCF**

Canada needs to, in the build up to COP6, re-assess its position on sinks. In the absence of full information on how different methodologies might impact on the efficacy of the Kyoto Protocol (i.e. to what extent will proposed approaches allow counting of non-additional sequestration) addition of new activities under 3.4 is irresponsible. It is also possible that a hurried, ill-thought addition of new activities under 3.4 could increase the stringency of Canada's target in much the same way as Article 3.3 appears to. However, it is unclear whether the current workplan can accommodate adequate consideration of the implications of adding additional activities using various methodologies and definitions, prior to COP6. Given the likely inability to add additional activities in both a rational way and within a timeframe that accommodates ratification by 2002, the ENGO community believes no new additional activities should be added until the Second Commitment Period.

## **Adequacy of Commitments**

The inability to even get review of the adequacy of existing commitments on the agenda at COP5, represented the biggest failure at COP-5. A review of adequacy of commitments tied to the Third Assessment Report is essential. Canada should show flexibility in order to overcome developing nations' concerns that binding targets will limit their development.

- The Subsidiary Bodies should be required to outline and assess different models for the allocation of global emissions (this issue will need to be addressed in some way if some key developing countries are to adopt future emission reduction obligations).
- SBSTA should be required to identify the issues and factors relevant to a definition of what constitutes "dangerous" anthropogenic interference with the climate (this is required to determine what level of commitments ultimately will be required and only governments can do this),

Canada should also explore other innovative ways to break the impasse between the developing and developed world. Consideration should be given to a small fee on JI and emission trading transactions that could be used to fund capacity building and mitigation in the developing world.

## **National Reporting**

The ENGO community believes proposals for adjusting national inventories with default emission factors are worthy of further consideration. However, if the primary purpose of the inventories is to trigger compliance responses, (in particular restrictions on AAU sales where a nation is out of compliance with reporting mechanisms) it will be essential that the default factors represent the absolute high end of potential emissions. Otherwise, nations would be encouraged to compare actual emissions against defaults and use the default wherever it is lower.

## **Other**

To fulfill the Buenos Aires Plan of Action, all nations, including Canada, must carefully assess whether existing positions and alternate positions will ensure environmental effectiveness of the Kyoto Protocol. In addition to the issues raised above, it is important to focus on the following key issues.