CSE BRIEFING PAPER

PRONK'S THIRD COMPROMISE PROPOSAL

What it says?

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On June 18, 2001, Jan Pronk, president of the resumed session of the sixth conference of parties (CoP-6bis) came out with a consolidated negotiating text summarising main compromises offered on some of the most controversial issues plaguing the climate change negotiations. The following paragraphs explain what it says and, where necessary, the relevant articles of the UN Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol have been quoted. Wherever possible, the implications of the various clauses of the Pronk proposal have been drawn out, especially from the point of view of developing countries.

FINANCE, TECHNOLOGY TRANSFER, ADAPTATION, CAPACITY BUILDING

Pronk's negotiating text on finance, technology transfer, adaptation, capacity-building (article 4.8 and 4.9 of UNFCCC and article 3.14 of the Kyoto Protocol) is contained in document FCCC/CP/2001/2/Add.1 dated June 11, 2001.

1. Pronk proposes **streamlining the Global Environment Facility (GEF)** through enhanced guidance from the conference of parties (CoP), **to make resources available for implementing stage III adaptation projects**. Stage III includes programmes in areas of water resources management, land management, agriculture, health, infrastructure development, fragile ecosystems and integrated coastal zone management.

Implications for the South*: *At the sixth conference of parties (CoP-6) in The Hague in November 2000, developing countries had opposed GEF as the institution to manage the adaptation fund, since they consider its functioning too bureaucratic, while industrialised countries had supported a new window in GEF for adaptation.

2. In addition, Pronk proposes an **adaptation fund to finance demonstration and concrete projects**. This will be funded by taking **2 per cent off the credits generated from projects under the Clean Development Mechanism** (CDM), and through contributions from industrialised countries. However, CDM projects in least developed countries (LDCs) will not contribute a share of proceeds towards this fund. The fund will be operated by a council under the guidance of the conference of parties serving as the meeting of parties (CoP/MoP). CoP will offer guidance to the fund until CoP/MoP comes into being when the Kyoto Protocol enters into force. GEF is invited to establish the fund and the council.

Implications for the South*: *Developing countries demand a similar share of proceeds from Joint Implementation (JI) projects to ensure that CDM and JI are at par. If only CDM projects are required to pay into the fund, the cost incurred on them will increase as compared to JI projects. A tax on CDM, in effect, amounts to taxing the poor to help the affected poor.

3. A **special climate change fund is proposed to finance activities related to technology transfer, capacity building, diversifying economy, energy, transport, industry, agriculture, forestry and waste management**. However, these programmes should be additional and complimentary to bilaterally or multilaterally or GEF funded projects. The GEF council, under the guidance of CoP/MoP (or CoP until the protocol enters into force), will operate the fund.

4. The proposal asks CoP to lay out a **separate work programme for LDCs**. This will include national adaptation programmes of action (NAPA) financed by GEF. NAPA, assisted by an expert group from LDCs, will serve as a channel to communicate vulnerability and adaptation needs of LDCs to CoP.

5. To address barriers to transfer of technology, and review progress on the issue, Pronk proposes an **intergovernmental consultative group of scientific and technical experts** formed under the Subsidiary Body for Scientific and Technological Advice (SBSTA). The group will also strive to enhance the transfer of environmentally sound technologies as per article 4.5 of UNFCCC.

6. In accordance with article 4.8 of UNFCCC, the proposal asks industrialised countries to assist developing countries by

- transferring technology related to fossil fuels that capture and store greenhouse gases (GHGs),
- building capacity to improve environmental efficiency of activities related to fossil fuels,
- helping in economic diversification

Article 4.8 provides for funding, insurance and technology transfer to developing countries adversely affected by climate change or by the efforts taken to combat climate change.

Implications for the South: The focus still remains on improving efficiency in the fossil fuel sector and "captur(ing) and stor(ing) GHGs". There is no mention of moving to renewable technologies.

7. The proposal asks industrialised countries to report on action taken under article 3.14 of the protocol, which requires countries to meet their emissions reduction commitments in a manner that minimises adverse social, environmental and economic impacts on developing countries.

8. A high level **climate resources committee** is proposed, which will

- develop criteria to review climate change contributions
- monitor funding needs and availability
- advise on resource allocation
- determine achievement of funding targets
- mobilise additional resources, and
- develop policy conclusions to be considered by existing financial channels and institutions.

9. The proposal says that **total annual contributions towards GEF climate change focal area, the special climate change fund, the adaptation fund, and additional (to current funding levels) bilateral and multilateral funding should rise to US $1 billion** as soon as possible and not later than 2005. Resources in the form of public funding for CDM projects and a share of proceeds from these projects are not included here.

Implications for the South: Developing countries feel the amount of US $1 billion is inadequate to meet their adaptation, technology transfer and capacity building needs. For instance, extreme weather events in the Pacific Island region alone caused damages exceeding US $1 billion in the 1990s.

The amount to be used for adaptation will rise to about half of the total $1 billion resource, over a number of years. CoP will review the percentage allocated for adaptation and the total funding levels after considering resources generated by the share of proceeds from CDM projects. CoP/MoP will decide priorities and eligibility criteria for projects under the adaptation and special climate change fund. The adaptation fund council and the council managing the special climate change fund will work under the guidance of CoP/MoP, and will annually report to it.

Industrialised countries will contribute to this one billion fund in proportion to their share in the total carbon dioxide emissions in 1990. The higher the relative share of an industrialised country in 1990 carbon dioxide emissions, the greater is its contribution. However, contributions of countries with economies in transition (EITs) will be proportional to 50 per cent of their share in total 1990 carbon dioxide emissions. Industrialised countries will be required to report these financial flows in their national communications.

EITs will also get new and additional resources for climate change activities from industrialised countries on a grant or concessional basis.

10. If countries do not contribute their share for the total US $1 billion target, they will become ineligible for seats in new bodies like the adaptation fund council, enforcement branch, facilitative branch, CDM executive board, article 6 supervisory committee and the intergovernmental consultative group of scientific and technical experts on technology transfer.

Implications for the South: The financial commitments are not covered by the enforcement branch proposed by Pronk in his suggestions on a compli-

ance mechanism. The enforcement branch can issue legally binding consequences. Instead, a climate resources committee is proposed to monitor funding needs and availability. Therefore, there is no way to ensure that industrialised countries will meet their commitments.

MECHANISMS

The negotiating text on mechanisms (articles 6, 12 and 17 of the Kyoto Protocol) is contained in document FCCC/CP/2001/2/Add 2, dated June 11, 2001.

1. The proposal says that article 2 and 3 of UNFCCC will guide the use of mechanisms by countries. Article 2 of the UNFCCC states the objective of the convention: to stabilise GHG concentrations in the atmosphere at a level that would prevent dangerous human-induced interference with the climate system. The article also says that this stabilisation should be reached within a time period, which will

- allow ecosystems to naturally adapt to the change
- ensure that food production is not threatened, and
- enable economic development to proceed in a sustainable manner.

Article 3 of the UNFCCC lays out the principles to guide the implementation of the convention:

- Equity, and recognition of countries' common but differentiated responsibilities and respective capabilities should form the basis of efforts taken to protect the climate system for the benefit of present and future generations.
- Therefore, industrialised countries should take the lead in combating climate change and its adverse effects.
- Specific needs and special circumstances of developing countries, especially those which are particularly vulnerable to the adverse effects of climate change, should be given due consideration.
- Countries should take precautionary measures to anticipate, prevent or minimise the causes of climate change and mitigate its adverse effects. Lack of full scientific certainty should not become a reason for postponing these measures when there is a threat of serious or irreversible damages.
- Policies and measures to deal with climate change should be cost-effective, and take into account different socioeconomic conditions. Comprehensive measures encompassing all relevant sources and sinks of GHGs should be used by countries, which may act in cooperation to address climate change.
- These should be integrated with national development programmes and promote sustainable development.

2. The proposal emphasises that policies and measures adopted to combat climate change should seek to reduce inequalities in per capita emissions between developing and industrialised countries. Therefore, industrialised countries must meet their emissions reduction target **chiefly through domestic action** undertaken since 1990.

Implications for the South: At CoP-6, restriction on the use of mechanisms was a major issue, which eventually led to the failure of the negotiations. The EU and developing countries felt that not more than 50 per cent reduction target should be met using these mechanisms. But the US and its allies did not want any such cap.

3. Pronk proposes that rules regarding flexibility mechanisms will apply individually to countries that have entered into an agreement to jointly fulfill their commitments under article 4 of the protocol, like member countries of the EU.

4. The proposal says that certified emission reductions (CERs), emission reduction units (ERUs) and assigned amount units (AAUs) can be used to fulfill emissions reduction commitments. CERs are earned as credits for reducing emissions through CDM projects, while ERUs are gained for JI projects. AAUs are transferred under emissions trading. However, the reduction target fixed by the protocol does not create any emission entitlements for countries for subsequent commitment periods.

5. Pronk proposes that industrialised countries can **accumulate surplus CERs** to meet commitments in the second commitment period.

Implications for the South: Developing countries should oppose banking of CDM credits since this means industrialised countries can use reduction credits obtained today at throwaway price from them to meet future commitments, even as they are forced to reduce emissions at a higher cost when it is their turn to take on reduction commitments.

6. According to the proposal, an industrialised country can **engage in mechanisms only if it has complied with articles 5.1, 5.2, 7.1 and 7.4** of the protocol, which call on countries to:

- put in place a national accounting system to estimate emissions of GHGs and their absorption by sinks, at least a year before the start of the commitment period, that is, by 2007 (article 5.1). The estimation will be done as per IPCC methodologies. Where such methodologies are not used, appropriate adjustment can be agreed upon by the first conference of parties serving as the meeting of parties (CoP/MoP-1) (article 5.2).
- include additional information needed to ensure compliance with the emissions reduction objectives in their annual inventory of emissions of GHGs and their absorption by sinks (article 7.1). The information required under this article would be adopted at CoP/MoP-1 and reviewed periodically after that (article 7.4).

Moreover, only those countries that have accepted the agreement on compliance (to be negotiated) can use credits obtained through these mechanisms.

Joint Implementation

7. If a host industrialised country meets the eligibility requirements to participate in the mechanisms, it can itself **verify emissions reductions resulting from JI projects**. However, if the host country does not meet the eligibility conditions, an independent entity will do the verification. Verifying reductions means determining if generated emissions reduction credits are additional to any that would have otherwise occurred.

Implications for the South: Host countries cannot verify emissions reductions in case of CDM projects. Developing countries want JI projects to undergo as thorough a scrutiny as CDM projects. They fear that CDM projects may become non-competitive in comparison to JI projects if only the former is subject to strict rules and conditions.

The proposal also asks industrialised countries to *refrain from* pursuing nuclear projects under JI.

Clean Development Mechanism

8. The proposal recommends that the Executive Board, which will supervise implementation of CDM, should be elected at the seventh conference of parties (CoP-7) to ensure a prompt start for CDM.

- The choice of projects is left with the host developing country, which will decide if a particular project furthers sustainable development and is in line with its national priorities.
- Simplified procedures will apply to specific small-scale projects to facilitate equitable regional distribution of CDM projects.
- The Executive Board can review and recommend more small-scale projects to CoP/MoP.
- Industrialised countries will *refrain from* investing in nuclear projects under CDM as well.
- Only afforestation and reforestation projects are eligible as LULUCF projects under CDM in the first commitment period.
- Negotiations on the second commitment period will decide how LULUCF projects will be treated under CDM in future commitment periods.

9. The proposal also says that use of public funding in CDM projects should not result in diversion of official development assistance (ODA).

Implications for the South: It does not clearly specify that funds for CDM projects should be 'additional to' ODA — a key demand of developing countries with regards to the mechanism.

Emissions trading

10. The proposal requires an industrialised country to keep at least 90 per cent of its assigned amount, or five times its total GHG emissions in the most recently reviewed inventory, whichever is lower, as reserve. No selling of AAUs that may deplete the reserve below this level will be allowed.

Implications for the South: The second option of retaining five times a country's emission in the most recent inventory increases the amount of 'hot air' available for selling. During the commitment period, countries like Russia and Ukraine are likely to emit much less than their emissions in 1990. It is highly probable that in their case the second option will be lower. Hence, they will be required to keep a lower amount in the reserve resulting in a greater availability of hot air.

LAND USE, LAND USE CHANGE AND FORESTRY

The negotiating text on land-use, land-use change and forestry (LULUCF) (articles 3.3 and 3.4 of the Kyoto Protocol) is contained in document FCCC/CP/2001/2/Add.3/Rev.1 dated June 18, 2001.

1. The Pronk proposal defines **forest** as a land area of 0.05-1 hectares with tree crown cover of more than 10-30 per cent. Trees should have the potential to reach a minimum height of 2-5 metres on maturity, when grown in their original place. Young naturally growing trees and all plantations yet to reach a crown density of 10-30 per cent or a height of 2-5 metres are included under forest. Areas which do not have trees temporarily due to harvesting or natural reasons, but are expected to revert to forest, and which normally form part of the forest area will also be included under forest. A forest may consist of closed forest formations — where trees of various storeys and undergrowth cover a high proportion of the ground, or open forest — with a continuous grass layer in which tree crown cover exceeds 10 per cent.

2. Afforestation is defined as direct human-induced conversion of land to forestland through planting, seeding and/or the human-induced promotion of natural seed sources. The land should not have been forested for a period of at least 50 years.

3. Reforestation is direct human-induced conversion of non-forest land to forestland through planting, seeding and/or the human-induced promotion of natural seed sources, on land that was forested, but has been converted to non-forest land. For the first commitment period, reforestation activities will be limited to reforestation occurring on those lands that did not contain forest on 31 December 1989.

4. Deforestation is direct human-induced conversion of forestland to non-forest land.

5. Forest management is the stewardship and use of forests at a rate that maintains their biological diversity, productivity, regeneration capacity, vitality and potential to fulfil, now and in the future, relevant ecological, economic and social functions, at local, national, regional, and global levels, and does not cause damage to other ecosystems. Only those forest management activities, which have occurred since January 1, 1990, will be considered.

6. Cropland management is a system of practices undertaken on land where agricultural crops are grown, and on land, which is set aside, or is temporarily not being used for crop production. Again only those practices that have taken place since January 1, 1990 will be considered here.

7. Grazing land management is a system of practices aimed at manipulating the amount and type of vegetation and livestock produced. These practices should have taken place since January 1, 1990.

8. Revegetation is a direct human-induced activity carried out to increase carbon stocks on sites by establishing vegetation covering a minimum area of 0.05 hectare. It should not meet the definitions of afforestation and reforestation, and should have taken place since January 1, 1990.

9. Pronk's proposal also lays out certain **principles to govern LULUCF activities**:

- Any decision on the treatment of LULUCF activities must be based on sound science.
- Consistent methodologies should be used to estimate and report emissions from sources and absorption by sinks from LULUCF activities. Double counting of emissions and absorption from any given activity should be avoided.
- Accounting for LULUCF should not change the

aim of reducing GHG emissions by a certain percentage below 1990 levels in the period 2008-2012.

- Mere presence of carbon stocks will not be used to meet reduction target. Instead any change produced in carbon stocks can only be considered for accounting.
- LULUCF activities should be implemented in a way that contributes to conservation of biological diversity and sustainable use of natural resources.
- IPCC guidelines should be used to estimate and report emissions and absorption resulting from LULUCF activities.

10. The proposal allows the use of **forest, cropland and grazing land management, and revegetation under article 3.4** of the protocol. Industrialised countries can use additional (to afforestation, reforestation and deforestation) human-induced LULUCF activities to meet reduction commitments under this article.

11. The proposal offers a **three-tier method** to calculate reduction credits from activities under article 3.4 **(see Table):**

- In the first tier, countries can fully count credits for forest management activities up to the level of net GHG emissions (debit) reported under article 3.3. Annual credits for each industrialised country are capped at 8.2 million tonnes of carbon (mtC).

Three different situations may arise in this tier:

a) A country reports GHG emissions under article 3.3 and they are within the cap of 8.2 mtC/year:

For instance, the US reported emissions (debit) equal to 7.2 mtC/year under article 3.3.[1] It also reported 288.40 mtC/year as sequestered by forest management activities under article 3.4.[2]

Table: Estimation of LULUCF credits for Japan and the US using the three-tier method

		US	Japan
1.	Base year emissions	1655.38 mtC[1]	334.78 mtC
2.	Article 3.3 (ARD) debit	-7.2 mtC/year[2]	-1.02 mtC/year
3.	Article 3.4 forest management credit	288.40 mtC/year	9.79 mtC/year
4.	Tier I: article 3.4 forest management credit	7.2 mtC/year	1.02 mtC/year
5.	Tier II: 85% discount to article 3.4 credit after deducting tier I credit	(288.40 - 7.2) * 0.15 = 42.18 mtC/year	(9.79 - 1.02) * 0.15 = 1.32 mtC/year
6.	Tier III: full credit to agriculture management	10.2 mtC/year	0
7.	Quantified Emission Limitation and Reduction Commitment (QELRC)	93	94
8.	Sum of tier II and III	52.38 mtC/year	1.32 mtC/year
9.	Boundary condition (cap) - on credits from tier II and III, LULUCF credits from JI and CDM - not to exceed 50% of reduction commitment (in percentage of base year emissions)	0.5*((100-93)/100) = 0.035 = 3.5%	0.5*((100-94)/100) = 0.03 = 3%
10.	Cap in million tonnes of carbon (mtC) per year	(0.035 * 1655.38) = 57.94	(0.03 * 334.78) = 10.04
11.	Per cent of cap in mtC that can be satisfied by credits from tier II and III	(52.38/57.94) * 100 = 90.40	(1.32/10.04) *100 = 13.14

[1] mtC - million tonnes of carbon
[2] mtC/year - million tonnes of carbon per year

Source: United Nations Framework Convention on Climate Change Secretariat 2001, *New Proposals by the President of CoP-6,* Bonn, Germany, April 9, Table 1, pp 20-21; N H Ravindranath 2001, Indian Institute of Science, Bangalore, June, *personal communication*

Therefore, in the first tier, the US gets full credit for 7.2 mtC/year (equal to article 3.3 debit) out of 288.40 mtC/year sequestered by managing forests.

b) A country reports emissions under article 3.3, but they are more than 8.2 mtC/year:

For instance, a country reported a debit of 10 mtC/year under article 3.3, and reports 50 mtC/year under article 3.4. Then, as per the proposal, it gets full credits only for 8.2 mtC/year under forest management, even though article 3.3 debit is 10 mtC/year.

c) A country reports credit — a greater quantity of GHGs is removed than released by afforestation, reforestation and deforestation — instead of debit under article 3.3:

Consider the case of Norway, which has reported credit equal to 0.02 mtC/year under article 3.3.[3] It reports 0.15 mtC/year under forest management.[4] As per the rule in the first tier, it will not get full credits for forest management, since there is no debit under article 3.3.

- Beyond the credits obtained under the first tier, countries will get only 15 per cent credits for forest management in the second tier, as a 85 per cent discount is applied in this tier.

Forest management activities for which credits have already been taken in the first tier will not be considered in this tier. So in case of the US, only (288.40 - 7.2) mtC/year = 281.2 mtC/year will be taken for calculations in the second tier. As per the proposal, the US can get just 15 per cent credits for this amount of 281.2 mtC/year. Thus, it earns credit worth 42.18 mtC/year from this tier.

Countries in case (b) and (c) can also take 15 per cent credits for forest management activities in this tier. So the country in case (b) will get 15 per cent credits for (50-8.2) mtC/year. On the other hand, Norway will get credits equal to 15 per cent of 0.15 mtC/year, since it did not get any credits in the first tier.

- Full credits are awarded for cropland and grazing land management and revegetation in the third tier.

This tier is independent of the first and second tier. The US has reported sequestration equal to 10.2 mtC/year under agriculture management, which includes cropland, grazing land management and revegetation. As per the proposal, it gets full credits in this category.

12. Pronk proposes that the annual limit of 8.2 mtC in the first tier can be raised to 13 mtC if the industrialised country's:

- energy consumption is less than 0.16 total primary energy supply per unit gross domestic product,
- more than half of the landholdings is covered with forest, and
- population density is over 300 inhabitants per square kilometre.

13. In the first commitment period, the proposal further puts a **limit** on the sum total of LULUCF credits obtained from:

- the second and third tier,
- CDM projects, and
- JI projects.

(i) For a country required to reduce its GHG emissions below base year levels:

- the total should not be more than 50 per cent of the country's Kyoto target.

(ii) For a country allowed to maintain its base year emissions level, or increase its emissions over the base year level:

- the total should not be more than 2.5 per cent of the country's emissions in the base year.

For example, a country like the US, which has to reduce its emissions to 7 per cent below base year level, will be able to avail LULUCF credits from the second and third tier, and CDM and JI projects to the extent of satisfying 50 per cent of its Kyoto target. This cap amounts to 57.94 mtC/year in case of the US. (see Table, row no. 10). The sum of credits from the second and third tier for the US is 52.38 mtC/year. From these values, it is clear that the US can satisfy most of

the 50 per cent value that it is allowed to meet using LULUCF credits, from LULUCF activities at home. It will need credits worth only (57.94-52.38) mtC/year = 5.56 mtC/year from LULUCF projects under JI and CDM. 5.56 mtC/year is just 9.6 per cent of what it is allowed to meet using LULUCF activities within the 50 per cent cap.

On the other hand, in case of Japan, dependence on other countries for JI and CDM projects is greater. Japan with a reduction target of 6 per cent can also meet 50 per cent of its target from LULUCF activities. This means it can take credits worth 10.04 mtC/year from LULUCF activities (see Table, row no. 10). But, the sum total of credits from the second and third tier gives just 1.32 mtC/year. Therefore, it needs to invest in LULUCF projects under JI and CDM to get (10.04-1.32) mtC/year = 8.72 mtC/year worth of credits. This is about 87 per cent of what it can meet from LULUCF activities.

As an example of situation (ii) which applies to countries allowed to maintain its base year emissions level, or increase its emissions over this level, let us take a country like Australia. It can increase its emissions by 8 per cent over base year levels. It will be able to avail LULUCF credits from the second and third tier, and CDM and JI projects to the extent of 2.5 per cent of its emissions in the base year. Australia's base year emissions are 134.54 mtC.[5] So it can take credits worth 3.4 mtC/year using LULUCF activities.

It should be noted that the proposal does not include credits from article 3.3 and the first tier while applying the limit in this provision. So, a country's credits under article 3.3 fall outside this limit. Similarly, a country's debit under article 3.3 for which it gets full credits in the first tier is also outside the limit. The limit is, therefore, not imposed on all credits from LULUCF activities.

14. The proposal requests SBSTA to consider how degradation and devegetation can be included under article 3.4 in the first commitment period. It also requests further work on biome-specific forest definitions, which can be applied in future commitment periods.

15. IPCC is requested to elaborate guidelines for reporting LULUCF activities and develop methodologies to include degradation and devegetation as article 3.4 activities. It will also develop methodologies to separate human-induced change in carbon stocks from that caused by indirect human-induced reasons, natural effects and effects due to practices employed prior to 1990.

COMPLIANCE

The negotiating text on compliance (article 18 of the Kyoto Protocol) is contained in document FCCC/CP/2001/2/Add.6 dated June 11, 2001.

1. Pronk proposes a **compliance committee with two branches: enforcement and facilitative**. The enforcement branch, which prescribes **legally binding consequences**, will assess industrialised countries' compliance with their commitments under the protocol. On the other hand, the facilitative branch will provide advise to countries and assist them in implementing the protocol.

Implications for the South: At CoP-6, developing countries had demanded that the enforcement branch's mandate be limited to industrialised countries' commitments. But industrialised countries did not want to make such a distinction.

2. According to Pronk's proposal, the enforcement branch will assess if an industrialised country has **complied with its commitment to**:

- reduce GHG emissions by a specified percentage below 1990 levels in the period 2008-2012 (article 3.1)
- put in place a national accounting system to estimate emissions of GHGs and their absorption by sinks, at least a year before the start of the commitment period (2008-2012), that is, by 2007 (article 5.1). The estimation should be done as per IPCC methodologies agreed at CoP-3. Where such methodologies are not used, appropriate adjustment can be agreed upon by CoP/MoP-1

(article 5.2).
- include additional information needed to ensure compliance with the emissions reduction objectives in their annual inventory of emissions of GHGs and their absorption by sinks (article 7.1). The information required under this article would be adopted at CoP/MoP-1 and reviewed periodically after that (article 7.4).

It will also ascertain a country's eligibility to participate in the flexibility mechanisms.

Implications for the South: The proposal does not include industrialised countries' obligation to contribute funds towards developing countries' adaptation and capacity building under the enforcement branch. Developing countries fear that industrialised countries will not commit adequate funds, unless there is a deterrent of enforceable consequences when countries do not fulfill their financial obligations.

3. If an industrialised country fails to meet any of its commitments mentioned in (2), the enforcement branch can prescribe one or more of the following **consequences**:
- Deduct a certain number of tonnes from the defaulting country's assigned amount of the next commitment period. The number of tonnes to be deducted will depend on the value by which the country exceeds its assigned amount. As the value increases, the deduction becomes higher.
- Ask the defaulting country to submit an action plan detailing measures that it proposes to undertake to meet the commitments. The enforcement branch will review and assess the feasibility of this plan.
- Suspend the defaulting country's ability to sell assigned amount units under the emissions trading mechanism.

4. Pronk proposes that emissions reduction targets of industrialised countries in the **second commitment period** must be decided before 2008 and the discussion on the issue should start by 2006.

GOVERNANCE OF NEW BODIES

1. Pronk's proposal envisages a number of **new bodies** like the enforcement and facilitative branches, CDM executive board, adaptation fund council, article 6 supervisory committee and intergovernmental consultative group of scientific and technical experts on technology transfer.

2. Each body will have 10 **members**:
- 5 from each of the five UN regional groups
- 1 from the small island developing states (SIDS)
- 2 members from countries with emissions reduction targets under the protocol (annex I)
- 2 members from countries with no reduction targets (non-annex I)

CoP/MoP will elect members to these bodies.

Implications for the South: At CoP-6, industrialised countries with emissions reduction targets wanted a larger representation in the enforcement and facilitative branches. Pronk's proposal is in consonance with developing countries' demand for an equitable geographical representation in these branches.

3. Pronk proposes that in the absence of consensus, decisions will be taken by a **three-quarters majority**.

4. For the enforcement branch, in addition to a three-quarters majority, the adoption of a decision will also require a majority of members from annex I countries, as well as a majority of members from non-annex I countries.

REFERENCES

1. United Nations Framework Convention on Climate Change Secretariat 2001, *New Proposals by the President of CoP-6*, Bonn, Germany, April 9, Table 1, p 21.
2. *ibid*
3. *ibid, p 20*
4. *ibid*
5. *ibid*