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PRESS RELEASE

UN Climate Change Secretariat puts cornerstone of Kyoto Protocol's electronic emissions trading system in place (corrected)

(Bonn, 14 November 2007) – The UN Climate Change Secretariat on Wednesday announced that the International Transaction Log (ITL) became operational, thereby putting in place the cornerstone of the Kyoto Protocol's emissions trading system. The ITL is a sophisticated computerized system that ensures that emissions trading among Kyoto countries is fully consistent with the rules established under the UN Treaty.

The same day, Japan connected to the ITL and started its real-time operations with the ITL. Japan is the first Kyoto member country to go live. Other countries will follow suit as they finalize technical preparations, with Switzerland and New Zealand scheduled to start real-time operations in November or December.

"This step is a key milestone and a real achievement in the implementation of the Kyoto Protocol," said UNFCCC Executive Secretary Yvo de Boer. "The UN Climate Change Secretariat has provided a solid technical foundation for the implementation of market-based flexibility mechanisms defined by the Protocol, which allow industrialised countries to meet their emission reduction obligations in a cost-effective manner," the UN's top climate change official added.

The flexibility mechanisms of the Protocol are emissions trading, the clean development mechanism (CDM) and joint implementation (JI). These mechanisms allow industrialised countries to purchase emission reductions abroad at lower cost than reducing emissions at home, thereby supplementing domestic emission reduction efforts.

To make sure that only genuine emission reductions are traded, a set of trading rules exists under the Kyoto Protocol. The main function of the ITL is to check these rules and to give the green light to proposed transactions through a computerized link to the national emissions registries, which manage information on national emission allowances and their movements among Kyoto countries.

The UNFCCC system to support the implementation of the CDM – the CDM registry – has also started real-time operation on Wednesday. This means that the emission credits earned by industrialised countries through the implementation of emission reduction projects in developing countries will become tradable as soon as the relevant national registries of industrialised countries begin using the ITL. Overall, 844 CDM projects have been registered to-date, of which



256 projects have already had Certified Emission Reduction units (CERs) issued into the CDM registry. On 14 November, Japan received into the national registry its CERs – the first ever transfer of CERs from the CDM registry to a national registry.

“The entry of the ITL into real-time operation sends a clear signal to the carbon market that trading can go ahead as planned,” said Yvo de Boer. “Market players now have the assurance that the cornerstone of the Kyoto trading system is in place before the actual start of the Kyoto accounting period on 1 January 2008,” he added.

Notes:

Independent Assessment Reports (IAR) showing technical readiness of registries for go-live with the ITL are available on the UNFCCC website at http://unfccc.int/kyoto_protocol/registry_systems/independent_assessment_reports/items/4061.php.

The latest status of registries connections to the ITL is available on the UNFCCC website at http://unfccc.int/kyoto_protocol/registry_systems/registry_websites/items/4067.php

About the UNFCCC

With 192 Parties, the United Nations Framework Convention on Climate Change (UNFCCC) has near universal membership and is the parent treaty of the 1997 Kyoto Protocol. The Kyoto Protocol has to date 176 member Parties. Under the Protocol, 36 States, consisting of highly industrialised countries and countries undergoing the process of transition to a market economy, have legally binding emission limitation and reduction commitments. The ultimate objective of both treaties is to stabilize greenhouse gas concentrations in the atmosphere at a level that will prevent dangerous human interference with the climate system.

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