

Moving forward at Montreal

The first meeting of the Parties to the Kyoto Protocol provides an historic opportunity to build on the global infrastructure to tackle the challenge of climate change, says **Richard Kinley**

Many events over the past few months have painfully demonstrated the world's vulnerability to climate-related disasters. Continued growth in global greenhouse gas (GHG) emissions and damage linked to climate change require urgent and decisive action by all governments, around the globe. Effective implementation of the commitments agreed under the 1992 United Nations Framework Convention on Climate Change (UNFCCC), and tightened up through the Convention's 1997 Kyoto Protocol, is necessary for mitigation of climate change and adaptation to some of its inevitable impacts.

The historic first Meeting of the Parties to the Kyoto Protocol (COP/MOP 1), to be held with the eleventh session of the Conference of the Parties to the UNFCCC (COP 11) in Montreal on 28 November–9 December 2005, provides an opportunity for governments to advance action in a number of key policy areas, as well as to reconfirm their commitment to meet the challenge of climate change.

So where do we stand? This year has emerged as a critical one in the short history of the intergovernmental climate change process. With the entry into force of the Kyoto Protocol in February, more than 30 industrialised countries became legally bound to meet quantitative targets for limiting their GHG emissions. This

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COP 10 underscored the importance of adaptation to the effects of climate change

ended a period of uncertainty, prompting businesses to increasingly make the investments that are needed for a more climate-friendly future.

With the launch of three new international market-based instruments for reducing emissions, the Kyoto Protocol has put a price on a new commodity: carbon emissions. This is a unique feature for an international environmental agreement. Trading in the EU – via its pioneering Emissions Trading Scheme – and within companies is under way. The sound development of this new carbon market is of paramount importance for the success of the Kyoto Protocol. However, to make the Kyoto Protocol and its implementation mechanisms fully operational, governments must act.

At COP/MOP 1, Parties to the Protocol will adopt a set of decisions critical to complete its institutional architecture – the Marrakech Accords, agreed in 2001, and several subsequently agreed follow-up decisions. The result of years of negotiation, the so-called 'Marrakech Package' is the rulebook of the Kyoto Protocol, providing the basis for a mix of policies and measures at domestic and international levels to enable the effective implementation of the Protocol.

In that context, provisions concerning the operation of the Protocol's three market mechanisms – the Clean Development Mechanism

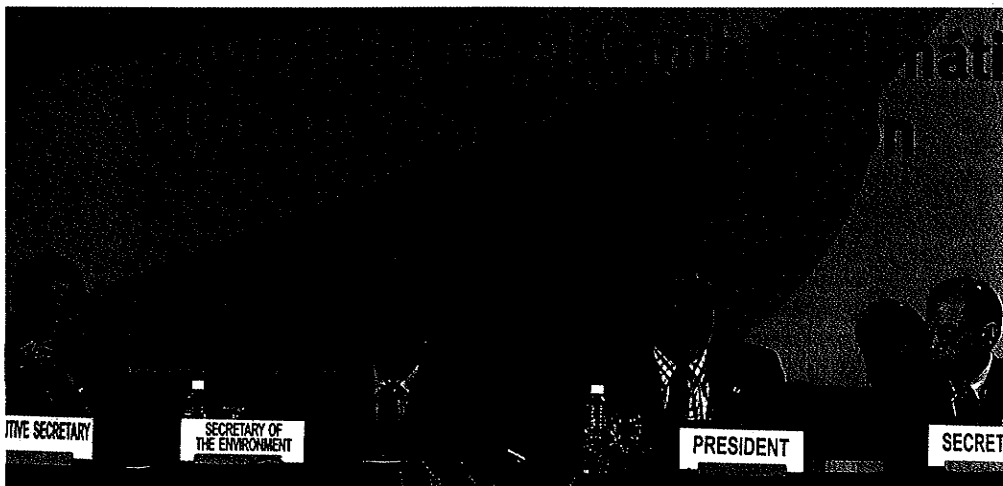
(CDM), Joint Implementation (JI) and International Emissions Trading – are of special importance.

The CDM, launched in 2001 to support sustainable development projects in developing countries, is already operational. It entitles investors in projects that reduce emissions to claim carbon credits, which can be counted towards emissions targets in industrialised ('Annex 1') countries that are party to the Protocol. The first CDM project was registered in November 2004, 13 were registered by July 2005, and a total of 33 by 31 October. Eighteen more have been submitted for registration and about 260 others are in the pipeline. There are projects in development around the world, targeting renewable energy, energy efficiency, fuel switching, landfill, reforestation and afforestation. According to independent estimates, the CDM has the potential to generate some \$14 billion in carbon credits in the period up to 2012, if the post-2012 value of CDM can be ensured.

The regulatory infrastructure to deal with the flow of projects has been set up, with the CDM Executive Board at its centre. The Executive Board and its accreditation and methodology panels are functioning, supported by a growing network of 'Designated Operational Entities'. These entities validate projects before sending them to the board for approval, and some are charged with the task of certifying the emission reductions achieved by each CDM project. Furthermore, 89 designated national authorities – which provide national government oversight for the CDM – are now in place, of which 71 are in developing countries.

To an outside observer, the development of the CDM might seem rather slow. However, when one considers what is normally required to create new regulatory institutions, the development of the CDM has been remarkably fast, especially given that it operates on a global scale in all sectors. The CDM is a new and innovative way of doing intergovernmental business, which must ensure the environmental and economic integrity of investments and of the generated credits, while responding to the needs of the business community.

In Montreal, parties are poised to



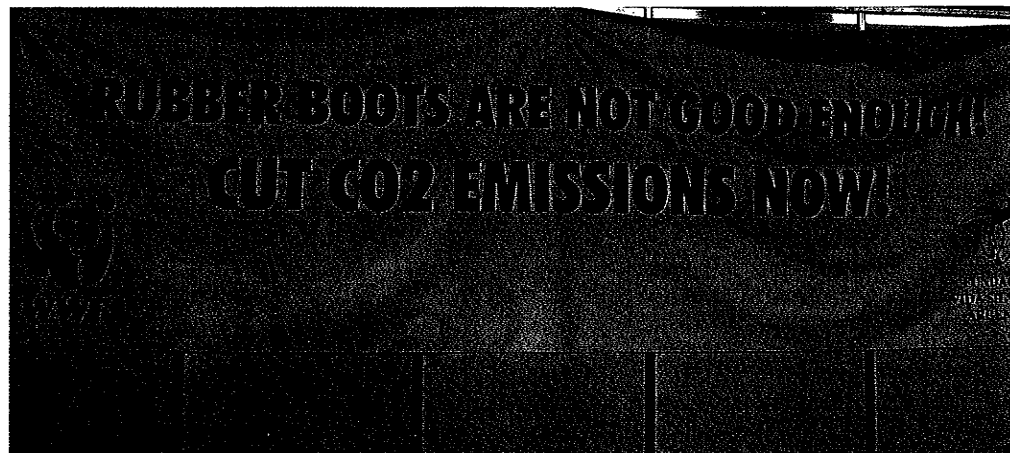
reinforce the CDM so that it can respond in the most efficient way to the tremendous interest it has generated in developing countries. It is an historic challenge, and opportunity, to send a clear signal to markets that governments are backing these mechanisms and intend to value credits generated beyond 2012.

COP/MOP 1 will also formally launch Joint Implementation as the second flexible mechanism under the Kyoto Protocol. Created under the Protocol's Article 6, JI provides an opportunity for Annex 1 Parties to earn emission credits by implementing projects that reduce emissions, or remove carbon from the atmosphere, in other Annex 1 countries. This mechanism is of particular importance to the parties with economies in transition, many of which have enormous potential for low-cost measures to reduce GHG emissions but lack investment capital necessary for their implementation.

Many governments of these countries have already established domestic institutions for implementation of the JI mechanism, and are actively developing emission reduction projects. The official launch of JI will spur these efforts and provide a new framework for the flow of investments and new technologies to these countries. The lessons learned from the implementation of the CDM, including the wealth of practical knowledge and methodological tools developed over the past four years, need to be taken into account to the greatest extent possible in launching JI. Learning from the experiences of the CDM will allow for substantial time savings in the development of JI institutions.

Adoption of the 'Marrakech Package' will also signal the official start of the international emissions trading system. Several Parties to the Kyoto Protocol have already begun developing national emissions trading schemes. The EU, for example, introduced its regional GHG emissions trading system earlier this year. The official launch of the international emissions trading scheme under the Kyoto Protocol will give a strong boost to these efforts and provide a legal and institutional basis for linking national and regional systems into the global carbon market.

The overall effectiveness of the Kyoto Protocol, as well as the stability and environmental integrity of the international carbon market, will be closely linked to a system of monitoring and compliance, which will



NGOs and business will be well represented in Montreal

lend added legal muscle to the task of holding governments to their commitments. In Montreal, Parties to the Kyoto Protocol will complete the Protocol's rulebook by agreeing on the legal form for adopting its compliance procedures and mechanisms and electing the members of the Compliance Committee.

Montreal will also see key decisions taken to move the adaptation agenda forward. Given historic and current emissions, some climate change is inevitable – and may, indeed, already be taking place – and countries must be prepared to adapt. The tenth session of the Conference of the Parties, held last December in Argentina, underlined the importance of adaptation by adopting the Buenos Aires programme of work on adaptation and response measures. This programme needs to be taken further with agreement on concrete steps to advance technical work and strengthen financial support, in particular for the most vulnerable developing countries. This will be a key outcome of Montreal.

As well as adapting to climate change, there is an urgent need to increase the market share of existing climate-friendly technologies, to foster the development and introduction of new technologies, and to facilitate technology transfer to developing countries. Investments made today in energy infrastructure must not lock economies into climate-unfriendly development trajectories spanning the next 30–50 years. At COP/MOP 1, Parties will have an opportunity to make progress on a number of technology and funding-related issues, including operation of the Special Climate Change Fund, the Adaptation Fund and the Least Developed Countries Fund.

In conclusion, the entry into force of the Kyoto Protocol has generated renewed political momentum that the Montreal conference can build upon. Impetus from other processes, such as the G-8 Summit

in Gleneagles in July, and the United Nations World Summit in New York in September, has amplified this momentum. Addressing global climate change requires cooperation among all countries. This can only be achieved by building upon areas of mutual interest and common understanding, rather than focusing on the existing differences in national circumstances and positions. The Seminar of Governmental Experts, held in Bonn during the UNFCCC sessions in May 2005, helped raise awareness about the impressive range of action under way or planned by Parties, individually and jointly.

In Montreal, governments will have an opportunity to use this momentum to set directions for consideration of what additional steps are needed to address rising global GHG emissions in the coming years. However, involvement of governments alone is not enough. The active engagement of business, civil society and the public, in the process and in implementation, is essential.

The United Nations Climate Change Conference in Montreal is shaping up to be a landmark event, both in terms of substantive results, and in terms of participation, with an expected record high number of participants. Governments face a great responsibility to achieve the critically important results required in Montreal. We look to the Parties to show their political determination to continue advancing international cooperation on climate change into the future, and reassure the world that the United Nations climate change process is moving forward with urgency in response to this global problem.

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