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## **QUANTIFIED EMISSION LIMITATION AND REDUCTION OBJECTIVES (QELROs)**

Proposal by the Chairman

### **Article 3**

#### **Alternative A**

1. Parties included in Annex I shall, individually or jointly, ensure that their net<sup>1</sup> aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases listed in Annex B do not exceed their commitments, expressed in terms of emission budgets, inscribed in Attachment 1.

#### **Alternative B**

1. Each Party included in Annex I shall ensure that its net aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases listed in Annex B do not exceed its commitments, expressed in terms of emission budgets, inscribed in Attachment 1.

#### **Alternative C**

1. Each Party included in Annex I shall achieve quantified emission limitation and reduction objectives within time frames such as 2005, 2010 and 2020 for its anthropogenic emissions by sources and removals by sinks of carbon dioxide and other greenhouse gases not controlled by the Montreal Protocol.

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<sup>1</sup> The use of the word “net” throughout the text, and the accompanying definition, will depend on the outcome of the ongoing consultations on the inclusion of sinks in the establishment of QELROs.

Note: The consolidated negotiating text by the Chairman (see document FCCC/AGBM/1997/7) remains before the Group.

### **Alternative A**

2. The commitments for each Party included in Annex I shall be established using the process set out in Annex C and shall be inscribed in Attachment 1.<sup>2</sup>

### **Alternative B**

2. Parties included in Annex I shall be subject to uniform commitments under this Article.
3. The Parties included in Annex I undergoing the process of transition to a market economy whose base year or period was established pursuant to decision 9/CP.2 of the Conference of the Parties to the Convention at its second session, shall use that base year or period for the implementation of their commitments under this Article.
4. Taking into account Article 4.6 of the Convention, in the implementation of their commitments other than those in Article 3, a certain degree of flexibility shall be allowed by the Meeting of the Parties to the Parties included in Annex I undergoing the process of transition to a market economy.
- [5. Each Party included in Annex I shall, by 2005, have made demonstrable progress in achieving its commitments under this Protocol.]
- [6. Each Party acting under Article 10 shall ensure that its net aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases listed in Annex B do not exceed its commitments, expressed in terms of emission budgets and inscribed in Attachment 1, determined in accordance with the provisions of Article 10.]
- [7. The first emission budget for each Party included in Annex I, from 200[\_] to 20[\_], shall be equal to [\_ per cent/the percentage inscribed for it in Attachment 1 for that budget period] of its net aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases listed in Annex B in 1990, or the base year or period determined in accordance with paragraphs 3 and 4 above, multiplied by five.]
- [8. The second emission budget for each Party included in Annex I, from 20[\_] to 20[\_], shall be equal to [\_ per cent/the percentage inscribed for it in Attachment 1 for that budget period] of its net aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases listed in Annex B in 1990, or the base year or period determined in accordance with paragraphs 3 and 4 above, multiplied by five.]
- [9. The first emission budget for each Party acting under Article 10 shall be equal to the percentage determined in accordance with Article 10 of its net aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases listed in Annex B in the base year or period determined in accordance with Article 10, multiplied by five.]

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<sup>2</sup> For those Parties included in Annex I on the date of adoption of this Protocol, these commitments shall be established together with the adoption of this Protocol.

[10. Any part of an emission budget, or any emission credits, which a Party acquires from another Party in accordance with the provisions of Article 5 or Article 6 shall be added to the emission budget of that Party.]

[11. Any part of an emission budget, or any emission credits, which a Party transfers to another Party in accordance with the provisions of Article 5 or Article 6 shall be subtracted from the emission budget of that Party.]

[12. The procedures established in paragraphs 7 to 11 above shall be used to calculate the emission budget of Parties included in Annex I *or acting under Article 10* for subsequent budget periods, unless otherwise decided by the Meeting of the Parties.]

[13. If a Party included in Annex I *or acting under Article 10* reduces its emissions during a budget period by a greater percentage than that required by its commitment under this Article, this difference shall, on request of that Party, be credited to its emission budget for the subsequent budget periods.]

[14. If a Party included in Annex I *or acting under Article 10* exceeds its emission budget for a budget period, by up to and including [ ] per cent, that Party shall not be considered as being in a state of non-compliance, if it subtracts the amount of excess emissions from its subsequent emission budget at a rate of [\_:1].]

[15. Based on the work of, *inter alia*, the Intergovernmental Panel on Climate Change and advice provided by the Subsidiary Body for Scientific and Technological Advice, the Meeting of the Parties shall regularly review and, as appropriate, amend the list of greenhouse gases in Annex B with a view to including other greenhouse gases not controlled by the Montreal Protocol and source and sink categories. Any amendment to the list of greenhouse gases in Annex B shall be in accordance with the provisions set forth in Article 19, and shall only apply to those commitments under this Article that are adopted after the entry into force of that amendment.]

[16. Until such time as any greenhouse gases not controlled by the Montreal Protocol from any source and sink categories are covered by commitments under this Article, Parties included in Annex I *or acting under Article 10* shall make every effort to limit and reduce their anthropogenic emissions by sources and enhance their removals by sinks of such gases.]

[17. Each Party included in Annex I shall fulfil the above commitments mentioned in paragraph 2 above in such a way as to minimise adverse social, environmental and economic impacts on developing country Parties, particularly those included in Article 4.8 of the Convention. A Compensation Fund shall be established by the Conference of the Parties to compensate the developing country Parties which may suffer social, environmental and/or economic loss as a result of actions taken to meet quantified emission limitation and reduction objectives.]

[18. A Clean Development Fund shall be established by the Conference of the Parties to assist the developing country Parties to achieve sustainable development and contribute to the

ultimate objective of the Convention. The Clean Development Fund will receive contributions from those Annex I Parties found to be in non-compliance with its quantified emission limitation and reduction objectives under this Protocol. The Clean Development Fund will also be open for voluntary contributions from Annex I Parties.]<sup>3</sup>

**[Article 3 bis<sup>4</sup>**

1. Any Parties included in Annex I to the Convention *or acting under Article 10* that have agreed that they shall jointly fulfil their obligations respecting quantified emission limitation and reduction objectives shall be deemed to have met those obligations provided that their total combined level of emission reductions meets the levels as set out in Attachment 1 for those Parties.
2. Such agreement will become operative only if all Parties to it have notified the secretariat of the terms of the agreement which shall remain operative for the duration of the Protocol or until a decision to amend or rescind the agreement is notified to the secretariat by all Parties to the agreement.
3. The Parties to any such agreement shall notify the secretariat of the terms of the agreement on the date of deposit of their instrument of ratification, acceptance, approval, or accession, or subsequently, in any event five years before the expiry of the period mentioned in Attachment 1. The secretariat shall in turn inform the other Parties of the terms of the agreement or any decision to amend or rescind it.
4. In the event of failure by the Parties to such an agreement to achieve their total combined level of emission reductions, the Parties to such an agreement shall be responsible for their levels of emissions according to the notifications made in accordance with this Article.
5. If Parties acting jointly do so in the framework of and together with a regional economic integration organization which is itself a Party to the Protocol, each member State of that regional economic integration organization individually and together with the regional economic integration organization acting in accordance with Article 22, shall, in the event of failure to achieve the total combined level of emission reductions, be responsible for its level of emissions as notified in accordance with this Article.]

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<sup>3</sup> The Group of 77 and China requested that paragraphs 17 and 18 above, which reproduce part of that group's proposal contained in FCCC/AGBM/1997/MISC.1/Add.6, be included in this text. It should be noted, that, due to lack of time, it was not possible to enter into discussion on this matter in the non-group.

<sup>4</sup> A Party previously proposed text, which can be found as paragraph 20 in Annex I of document FCCC/AGBM/1997/INF.1, to cover the situation in which member States of regional economic integration organizations and the organizations themselves were Parties to this instrument and sought to undertake QELRO commitments as such. The text also covers possible future enlargement of regional economic integration organizations.

## Article 4<sup>5</sup>

1. Each Party included in Annex I *or acting under Article 10* shall have in place, [no later than one year prior to the start of the first budget period,] a national system for the estimation of anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol. Guidelines for such national systems, which shall incorporate the methodologies specified in paragraph 2 below, shall be decided upon by the Meeting of the Parties at its first session.

2. Methodologies for estimating anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol shall be those accepted by the Intergovernmental Panel on Climate Change and agreed upon by the Conference of the Parties to the Convention at its third session. Where such methodologies are not used, appropriate adjustments shall be applied according to methodologies agreed upon by the Meeting of the Parties at its first session. Based on the work of, *inter alia*, the Intergovernmental Panel on Climate Change and advice provided by the Subsidiary Body for Scientific and Technological Advice, the Meeting of the Parties shall regularly review and, as appropriate, revise such methodologies and adjustments, taking fully into account any relevant decisions by the Conference of the Parties to the Convention. Any revision to methodologies or adjustments shall only be used for the purposes of ascertaining compliance with commitments under Article 3 in the case of those commitments that are adopted subsequent to that revision[, unless otherwise decided by the Meeting of the Parties].

[3. The global warming potentials used to calculate the carbon dioxide equivalence of anthropogenic emissions by sources and removals by sinks of greenhouse gases not controlled by the Montreal Protocol listed in Annex B shall be those accepted by the Intergovernmental Panel on Climate Change and agreed upon by the Conference of the Parties to the Convention at its third session. Based on the work of, *inter alia*, the Intergovernmental Panel on Climate Change and advice provided by the Subsidiary Body for Scientific and Technological Advice, the Meeting of the Parties shall regularly review and, as appropriate, revise the global warming potential of each such greenhouse gas, taking fully into account any relevant decisions by the Conference of the Parties to the Convention. Any revision to a global warming potential shall only apply to those commitments under Article 3 that are adopted subsequent to that revision[, unless otherwise decided by the Meeting of the Parties].]

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<sup>5</sup> The Alliance of Small Island States (AOSIS) has indicated that it would require further consultations on this Article, pending the elaboration of the term “net” under Article 3.1.

**[Article 5<sup>6</sup>**

1. Any Party included in Annex I *or acting under Article 10* may [, under the international framework to be established under paragraph 4,] transfer to or acquire from any other Party included in Annex I *or acting under Article 10* any of its emissions allowed under Article 3, for the purpose of meeting its commitments under Article 3, provided that each such Party is in compliance with its obligations under Articles [2, 3,] 4 and 7, and has in place a national mechanism for the certification and verification of emissions trades.
2. A Party may authorize intermediaries to participate, under the responsibility of that Party, in actions leading to the transfer or acquisition, under this Article, of emissions allowed.
3. Emissions trading, as defined in paragraph 1 above, shall be subject to the following criteria:
  - [(a) Emission levels achieved before the start of any trading system established under this Protocol can[not] be used as the basis for emissions trading;]
  - (b) Emissions trading shall be supplemental to domestic policies and measures [, which should provide the main means/for the purposes] of meeting commitments under Article 3; and
  - (c) A Party whose emissions are in excess of its emissions budget in any budget period may acquire, but may not transfer, emissions allowed.
4. The Meeting of the Parties shall, at its first session or as soon as practicable thereafter, decide upon modalities, rules and guidelines for emissions trading, as provided for in paragraph 1 above, including methodologies for verification and reporting.
5. If a question of a Party's implementation of the requirements of Articles [2, 3,] 4 or 7 is identified in accordance with the provisions of Article 8, transfers and acquisitions of emissions allowed may continue to be made, provided that any such emissions allowed may not be used by any Party to meet its obligations under Article 3 until any issue of compliance is resolved. If a question of a Party's implementation of paragraph 3(c) is identified in accordance with the provisions of Article 8, the provisions of this paragraph shall apply only to transfers of emissions allowed by such Party.]

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<sup>6</sup> The Group of 77 and China has requested the deletion of this Article.

[Article 6<sup>7</sup>

1. For the purpose of meeting its commitments under Article 3, any Party included in Annex I or acting under Article 10 may receive from any other Party included in the same Annex or acting under that Article, in conformity with the rules of this Article and the decisions adopted in accordance with paragraph 5 above, the carbon dioxide equivalent emission reductions resulting from joint implementation projects aimed at reducing anthropogenic emissions [or enhancing anthropogenic removals] of greenhouse gases listed in Annex B in any sector of the economy.

2. Parties participating in joint implementation projects have the right to share [among themselves] the credits attributed to the project.

3. In order to generate credits, joint implementation projects shall satisfy the following conditions:

(a) Parties participating in joint implementation projects shall be in compliance with their obligations under Article 3, 4 and 7 of this Protocol, and shall have a national mechanism for the accounting, certification and verification of their greenhouse gas emissions;

(b) Participation in joint implementation projects shall be voluntary, and shall require prior acceptance, approval or endorsement by the participating Parties;

(c) Joint implementation projects shall bring about real, measurable and long-term environmental benefits related to the mitigation of climate change, whilst avoiding adverse environmental and social effects. Projects must provide a reduction in [or a removal by sinks of] emissions that is additional to any that would otherwise occur;

(d) Joint implementation projects must be compatible with, and supportive of, national environment and development priorities and strategies, and must contribute to cost-effectiveness in achieving global benefits;

[(e) Joint implementation projects can be undertaken by two or more Parties;]

(f) Joint implementation projects shall be supplemental to domestic policies and measures, [which should provide the main means of meeting commitments under Article 3];

(g) Joint implementation projects shall be assessed on a project basis. Credits shall be calculated and allocated on an annual basis. They shall be subject to stringent emission reduction [or removal] verification and accountability methodologies. For each project, a baseline shall be established, against which the net environmental benefits of greenhouse gas emission mitigation and reduction achieved by the joint implementation project can be

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<sup>7</sup> The Group of 77 and China has requested the deletion of this Article. Other Parties, including the United States and the European Union, have indicated that they would require further consultations on this Article.

compared; and

(h) Parties shall report on joint implementation projects in their national communications using guidelines to be adopted by the Meeting of the Parties at its first session and reviewed periodically thereafter.

4. A Party may authorize intermediaries to participate, under the responsibility of that Party, in actions leading to the generation, transfer or receipt of credits for joint implementation projects under this Article.

5. The Meeting of the Parties shall adopt at its first session, and periodically review thereafter:

[(a) Criteria and guidelines for the attribution of emission credits to projects;]

(b) Guidelines for reporting on joint implementation projects and for the accounting, certification and verification of greenhouse gas emissions [and removals];

(c) Methodologies for calculating project baselines and actual emissions [or removals] in order to assess the incremental impact of the project; and

(d) Methodologies for the verification and auditing of actual emission reductions [or removals].

[6. If a decision is taken by the Conference of the Parties to the Convention at the conclusion of the pilot phase of activities implemented jointly, in accordance with decision 5/CP.1 of the Conference of the Parties to the Convention at its first session, to allow joint implementation with Parties not included in Annex I, then Parties included in Annex I *or acting under Article 10* may, jointly with other Parties, undertake concrete projects aimed at limiting or reducing anthropogenic emissions of greenhouse gases listed in Annex B in any sector of the economy, in conformity with the rules of this Article and the decisions adopted for this purpose by the Meeting of the Parties.]

7. If a question of a Party's implementation of the requirements of this Article is identified in accordance with the provisions of Article 8, transfers and acquisitions of emission credits may continue to be made after the question has been identified, provided that any such credits may not be used by any Party to meet its obligations under Article 3 until any issue of compliance is resolved.]

## Article 7

1. Each Party included in Annex I *or acting Article 10* shall incorporate in its annual inventory of anthropogenic emissions by sources and removals by sinks of greenhouse gases not controlled by the Montreal Protocol, taking into account the relevant decisions of the Conference of the Parties to the Convention, the necessary supplementary information for the purposes of ensuring compliance with Article 3 of this Protocol, to be determined in accordance with paragraph 4 below.



2. Each Party included in Annex I *or acting under Article 10* shall incorporate in its national communication, submitted under Article 12 of the Convention, the supplementary information necessary to demonstrate compliance with its commitments under this Protocol, including Articles 2, 3, 4, 5 and 6, to be determined in accordance with paragraph 4 below.
3. Each Party included in Annex I *or acting under Article 10* shall submit the information required under this Article as part of the first national communication due under the Convention after this Protocol has entered into force for that Party and after the adoption of guidelines as provided for in paragraph 4 below. The frequency of subsequent communications under this Article shall be determined by the Meeting of the Parties.
4. The Meeting of the Parties shall adopt at its first session, and periodically review thereafter, guidelines for the submission of the information required under this Article, taking into account guidelines for the submission of national communications adopted by the Conference of the Parties to the Convention. The Meeting of the Parties shall also, prior to the first budget period, decide upon modalities for the accounting of emission budgets.

## **Article 8**

1. The national communications submitted under Article 7 by each Party included in Annex I *or acting under Article 10* including the annual inventories of anthropogenic emissions by sources and removals by sinks of greenhouse gases not controlled by the Montreal Protocol submitted over the reporting period, shall be reviewed by expert review teams as part of the review of communications conducted in accordance with guidelines to be adopted by the Meeting of the Parties, taking into account guidelines adopted for this purpose by the Conference of the Parties to the Convention:

(a) Expert review teams shall be co-ordinated by the secretariat and shall be composed of experts selected from those nominated by Parties to the Convention and, as appropriate, by intergovernmental organizations, in accordance with guidelines adopted for this purpose by the Conference of the Parties to the Convention;

(b) The review process shall provide a thorough and comprehensive technical assessment of all aspects of a Party's implementation of this Protocol. The expert review teams shall prepare a report to the Meeting of the Parties assessing the implementation of a Party's commitments and identifying any potential problems in, and factors influencing, the fulfilment of commitments. Such reports shall be circulated by the secretariat to all Parties. In addition, the secretariat shall identify for further consideration by the Meeting of the Parties any questions of implementation indicated by such reports; and

(c) The Meeting of the Parties shall adopt at its first session, and periodically review thereafter, guidelines for the review of implementation by expert review teams and the identification of questions of implementation by the secretariat, taking into account guidelines for the review of communications adopted by the Conference of the Parties to the Convention.

2. The Meeting of the Parties, with the assistance of the Subsidiary Body for Implementation, shall consider:

(a) The national communications submitted by Parties under Article 7 and the expert review reports thereof conducted under this Article; and

(b) Any questions of implementation identified by the secretariat under paragraph 1(b) above, as well as any questions raised by Parties.

3. Pursuant to its consideration of the information referred to in paragraph 2(a) and (b) above, the Meeting of the Parties shall take decisions on any matter necessary for the implementation of this Protocol.<sup>8</sup>

## **Article 9**

*Article 9 was addressed in the non-group on institutions and mechanisms. Text proposed by the Chairman on this Article may be found in FCCC/AGBM/1997/CRP.4.*

## **[Article 10<sup>9</sup>**

1. Any signatory or Party to this Protocol not included in Annex I may, at any time, notify the Depositary that it has opted to be bound by this Article. The Depositary shall inform the other signatories and Parties of any such notification.

2. Such notification, supported by an inventory of emissions of greenhouse gases not controlled by the Montreal Protocol, including for the historical base year period chosen under subparagraph (a) below, and a projection of future emissions, shall include a formal declaration on the following points:

(a) Its chosen historical base year or period for the implementation of subparagraph (b) below; and

(b) The level of limitation or reduction of anthropogenic emissions of greenhouse gases listed in Annex B, as a basket, it is ready to undertake.

3. Where a notification has been made pursuant to paragraphs 1 and 2 above, the secretariat shall include it in the agenda for the following Meeting of the Parties which shall decide on the acceptance of such notification.

4. After its acceptance by the Meeting of the Parties, a notification by a signatory shall enter into force on the date of entry into force of this Protocol for that State, and a notification by a Party to this Protocol shall enter into force on the ninetieth day after the acceptance of such notification. The commitment under subparagraph (b) above of Parties acting under this Article shall be inscribed in Attachment 1.

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<sup>8</sup> The final drafting of paragraphs 2 and 3 above will take into account discussions on Article 9 and on institutional matters.

<sup>9</sup> The Group of 77 and China does not wish to include this Article in the Protocol.

5. Parties acting under this Article shall be bound by the obligations of Parties included in Annex I with respect to the communication of information related to implementation under Article 10.2(a) and (b) and Article 12 of the Convention, and the relevant decisions of the Conference of the Parties to the Convention.]

## **Article 11**

1. The Meeting of the Parties shall periodically review the implementation of this Protocol, with a view to evaluating its impact and effectiveness, and the adequacy of commitments [therein] [in Article 3]. These reviews shall be carried out in the light of the best available scientific information and assessment on climate change and its impacts, as well as relevant technical, social and economic information, and shall be co-ordinated with pertinent reviews under the Convention, in particular those required by Article 4.2(d) and Article 7.2(a) of the Convention. Based on these reviews, the Meeting of the Parties shall take appropriate action.

2. The first review shall take place at the [ ] session of the Meeting of the Parties. Further reviews shall take place in a regular and timely manner.

Annex B<sup>10</sup>

**Gases**

Carbon dioxide (CO<sub>2</sub>)

Methane (CH<sub>4</sub>)

Nitrous oxide (N<sub>2</sub>O)

[Hydrofluorocarbons (HFCs)

Perfluorocarbons (PFCs)

Sulphur hexafluoride (SF<sub>6</sub>)

**Sectors/source and sink categories**

Energy

Fuel combustion

Energy industries

Manufacturing industries and construction

Transport

Other sectors

Other

Fugitive Emissions from fuels

Solid fuels

Oil and natural gas

Other

Industrial processes

Mineral products

Chemical industry

Metal production

Other production

Production of halocarbons and sulphur hexafluoride

Consumption of halocarbons and sulphur hexafluoride

Other

Solvent and other product use

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<sup>10</sup> This list is taken from the revised 1996 IPCC Guidelines for National Greenhouse Gas Inventories: Reporting Instructions. It is understood that the inclusion of individual sectors/source and sink categories will require further discussion and that no agreement has yet been reached on this matter.

Agriculture

- Enteric fermentation
- Manure management
- Rice cultivation
- Agricultural soils
- Prescribed burning of savannas
- Field burning of agricultural residues
- Other

Land use change and forestry

- Changes in forest and other woody biomass stocks
- Forest and grassland conversion
- Abandonment of managed lands
- Carbon dioxide emissions and removals from soils
- Other

Waste

- Solid waste disposal on land
- Wastewater handling
- Waste incineration
- Other

[Annex C<sup>11</sup>

1. The process of establishing quantified emission limitation and reduction objectives for each Party subject to Article 3.2 shall take into account the differences in starting points and approaches, economic structures and resource bases, the need to maintain strong and sustainable growth, available technologies and other individual circumstances, as well as the need for equitable and appropriate contributions by each of these Parties to the global effort. To this effect the differences in the following factors, fully substantiated by readily available official data, shall be taken into account as appropriate in the case of each Party:

(a) Carbon dioxide equivalent emissions per capita of the greenhouse gases listed in Annex B;

(b) Carbon dioxide equivalent emissions per unit of gross domestic product of the greenhouse gases listed in Annex B;

(c) Gross domestic product per capita;

(d) Gross domestic product per capita growth;

(e) Effective emissions in a given time period, defined as the increase in global mean surface temperature at the end of the period, as determined by an agreed climate change model, resulting from both the net anthropogenic emissions of an agreed set of greenhouse gases in each year of that time period and from the initial concentrations of those greenhouse gases at the beginning of the period;

(f) Projected population growth;

(g) Emission intensity of gross domestic product;

(h) Emission intensity of exports;

(i) Fossil fuel intensity of exports; and

(j) Share of renewable energy in energy supply.

2. In addressing national circumstances in their communications, Parties shall include data relating to the above factors, as appropriate.]

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<sup>11</sup> This Annex would only appear if the alternative of establishing differentiated commitments were adopted. In this case, the text would require further discussion, and in particular subparagraph (e) would need to be better specified.

[Attachment 1

Name of Party	Emission commitment	Base year or period ( <i>where relevant</i> )
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