

5 November 1999

ENGLISH ONLY

SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE

Eleventh session

Bonn, 25 October - 5 November 1999

Item 6 of the provisional agenda

SUBSIDIARY BODY FOR IMPLEMENTATION

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**MECHANISMS PURSUANT TO ARTICLES 6, 12 AND 17
OF THE KYOTO PROTOCOL**

**Further proposals from Parties on issues raised in decision 7/CP.4,
paragraph 1 (a), (b) and (c)**

Submissions by Parties

Note by the secretariat

Addendum

1. In addition to the submissions included in documents FCCC/SB/1999/MISC.10 and Add.1-3, a further submission has been received from the Group of 77 and China.
2. In accordance with the procedure for miscellaneous documents, this submission* is attached and is reproduced in the language in which it was received and without formal editing.

* In order to make this submission available on electronic systems, including the World Wide Web, it has been electronically imported. The secretariat has made every effort to ensure the correct reproduction of the text as submitted.

FCCC/SB/1999/MISC.10/Add.4

GE.99-70736

GROUP OF 77 AND CHINA

SUBMISSION ON ARTICLE 17 OF THE KYOTO PROTOCOL

NATURE AND SCOPE

A. Purpose

1. The purpose of "emissions trading" under Article 17 of the Kyoto Protocol is to assist Parties included in Annex B in fulfilling part of their commitments under Article 3. According to Article 3, the Parties included in Annex I shall, individually or jointly ensure that their aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases listed in Annex A do not exceed their assigned amounts, calculated pursuant to their quantified emission limitation and reduction commitments inscribed in Annex B, with a view to reducing their overall emissions of such gases by at least 5 per cent below 1990 levels in the quantified emission limitation and reduction commitment period, from 2008 to 2012. If an Annex B Party is able to limit or reduce its GHG emissions to an extent which exceeds its quantified limitation and reduction objectives, such excess limitation or reduction can be transferred to any other Annex B Party under the provisions of Article 17. Such excess limitation and reduction of emissions shall be subtracted from the assigned amount for the transferring Party, and be added to the assigned amount for the acquiring Party.

B. Principles

2. The principles for Article 17 and the other basic elements pertaining to this article must be decided first and formulated accordingly. These principles and basic elements must be in conformity with Article 3 of the Convention. The methodological and operational issues must be guided accordingly.

2.1 According to Article 3, the Parties included in Annex I shall, individually or jointly, ensure that their aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases listed in Annex A do not exceed their assigned amounts, calculated pursuant to their quantified emission limitation and reduction commitments inscribed in Annex B, with a view to reducing their overall emissions of such gases by at least 5 per cent below 1990 levels in the quantified emission limitation and reduction commitment period, from 2008 to 2012. The assigned amount is the quantified greenhouse gas emission limitation and reduction commitment of Annex B Parties for the commitment period from 2008 to 2012, which shall be equal to the percentage inscribed for it in Annex B of its aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases listed in Annex A of the Protocol in 1990, or the base year or period determined in accordance with paragraph 5 of Article 3 of the Protocol, multiplied by five.

2.2 Of fundamental importance is the environmental integrity of the system to be brought in place under Article 17 and its credibility. It must be ensured that the system does not have dormant any possibility or potential of freezing or perpetuating existing inequities between Annex B Parties on the one hand and developing country Parties on the other. The right to development of developing countries must not be affected adversely in any way. It is

recognized that the Protocol has not created or bestowed any right, title or entitlement. The rules to be formulated must conform to the principles.

2.3 Any Annex B Party participating in the system to be established under Article 17 shall establish and maintain a transparent national registration of "transfers" and "acquisitions". Such information shall be communicated regularly to the Convention Secretariat. Annex B Parties participating in the transfers and acquisitions of parts of assigned amounts under Article 17 of the Protocol, shall include in their national inventory, to be communicated to the Secretariat under Article 7.1 of the Protocol, information on any part of an assigned amount added to or removed from its national registration during the relevant year. If an Annex B Party is in non-compliance with its commitments, that part of the assigned amount that has been "transferred" shall be invalidated.

2.4 Any system established under Article 17 of the Protocol shall contribute to and bring about real, measurable and long-term benefits related to mitigation of climate change. It should not lead to overall increase in the GHG emissions of the developed country Parties.

C. Supplementarity

3. Article 17 states: "Any such trading shall be supplemental to domestic actions for the purpose of meeting quantified emission limitation and reduction commitments under that Article".

3.1 The design and implementation of any system under Article 17 must not in any way compromise the modification of longer-term trends in greenhouse gas anthropogenic emissions and concentrations. Commensurate non-compliance processes must be put in place. Annex B Parties access to Article 17 should be contingent on satisfaction of prescribed domestic effort in fulfilment of commitments under Article 3. The rules will lay down the conditions which must be fulfilled before any such transfers and acquisitions can occur.

D. Participation

4. Article 17 states: "The Parties included in Annex B may participate in emissions trading for the purposes of fulfilling their commitments under Article 3." Annex B Parties have quantified greenhouse gas emission limitation and reduction commitments stipulated in Annex B of the Protocol. Annex B Parties, individually or jointly, have to ensure that their aggregate anthropogenic carbon dioxide equivalent emissions of the GHGs listed in Annex A of the Protocol do not exceed their assigned amounts, which is the emission limitation and reduction commitment of Annex B Parties for the commitment period from 2008 to 2012.

4.1 Parties included in Annex B shall be eligible to "transfer" or "acquire" part of the assigned amount, if they:

- (a) are in compliance with Articles 3, 5 and 7 of the Protocol and are responsible for meeting their commitments under the Protocol;
- (b) are not in violation of the compliance procedures as referred to in Article 18 of the Protocol;
- (c) have a transparent national system for registration and verification of such "transfers" and "acquisitions".

Note: Further elaboration will be made on this submission