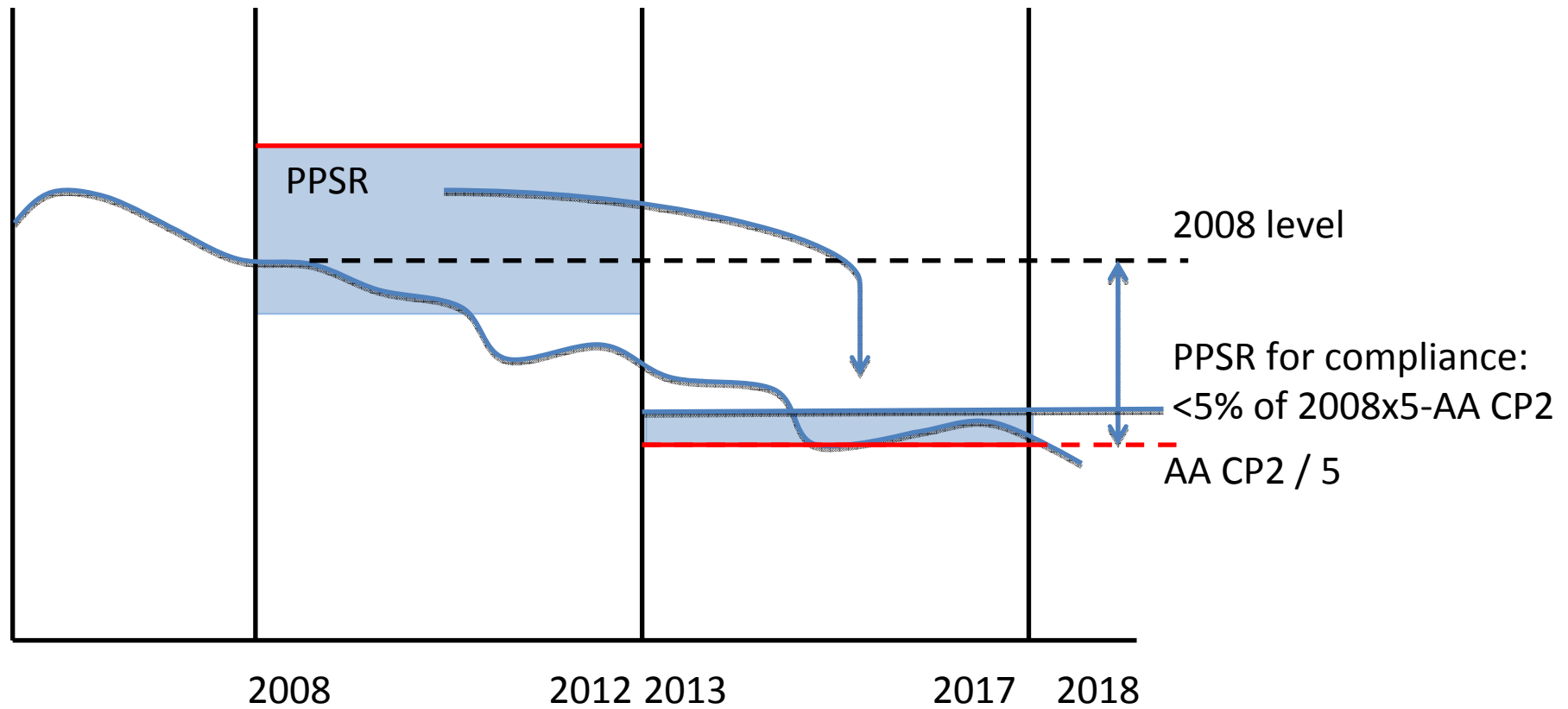


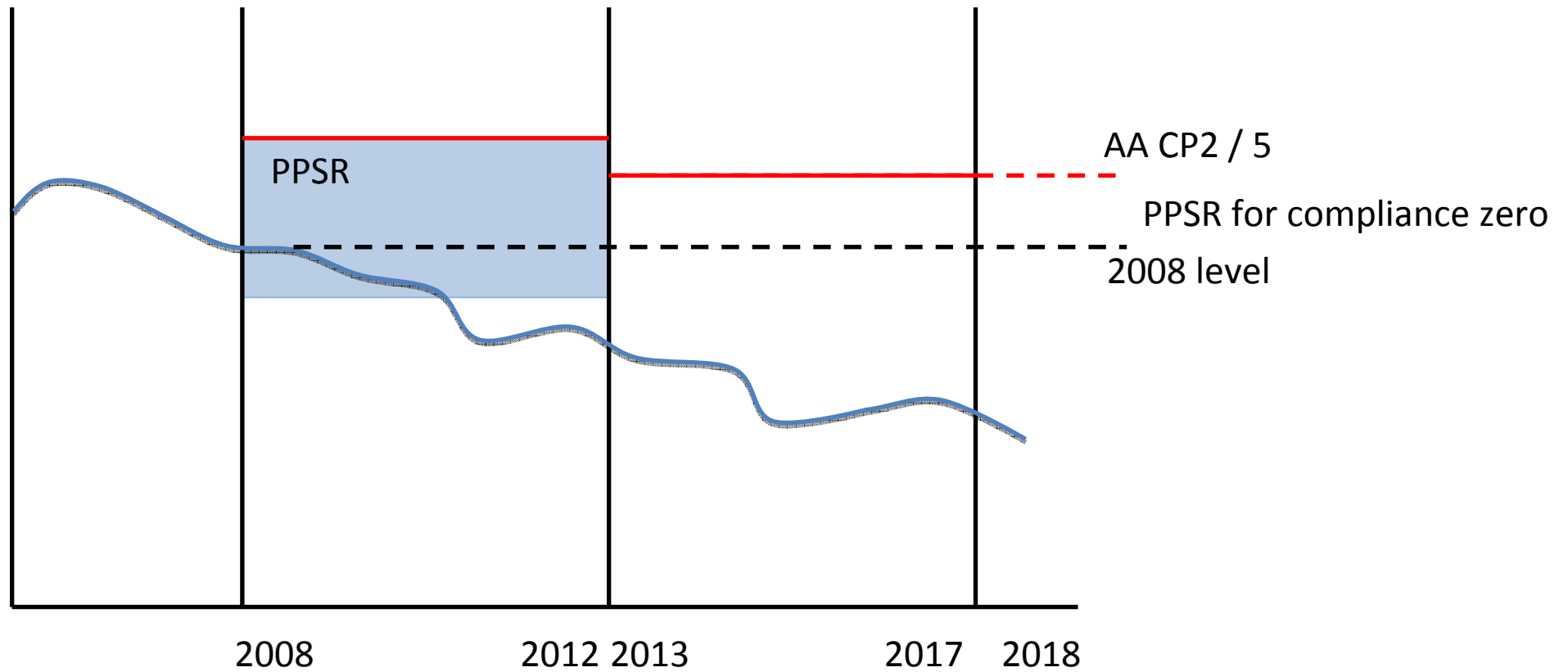
AOSIS proposal on surplus

- The total quantity of carried-over assigned amount units (AAUs), certified emission reductions (CERs) and emission reduction units (ERUs) approved for carry-over, and carried over from the previous commitment period, shall be deemed a Party's Previous Period Surplus Reserve.
- After the end of the subsequent commitment period (CP2), a Party may use, for the purpose of its compliance assessment, any carried-over units up to a quantity which is equal to [5] % of the difference between the Party's inventory emissions in 2008 x [5][8] and its assigned amount for the current commitment period, if that assigned amount is lower than the Party's inventory emissions in 2008 x [5][8], and only up to the extent of the Previous Period Surplus Reserve.

IF AA CP2 < 5x 2008



IF AA CP2 > 5x 2008



Key elements

- All banked units are addressed – CERs, ERUs, AAUs
- Eliminates surplus for Parties that have brought forward CP2 QELROs above current emission levels
- PPSR units may only be used toward domestic compliance assessment, and only if actual emissions at end of CP2 are above 2CP assigned amount
- Provides incentive to take QELROs below current emissions, because the deeper the target, the greater the access to the PPSR
- Measurement points are clear and known – 2008 inventory; 2CP assigned amount

Quantitative implications

- Total *surplus supply* from CP1 if 100% carried over to CP2 (after subtracting deficits of some countries in CP1) for Annex I as a group is roughly 10 GtCO₂eq; 6 Gt for CP 2 Parties that will have QELROs
- Total *demand* for compliance in CP2 for Annex I as a group is roughly 11 Gt, *BUT* demand is only 1 Gt if "new surplus" is created in CP2
- At 5%, the AOSIS proposal would allow use of PPSR of 0.3 Gt for Annex I Parties as a group; 0.1 Gt for CP2 Parties

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