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**AD HOC WORKING GROUP ON FURTHER COMMITMENTS
FOR ANNEX I PARTIES UNDER THE KYOTO PROTOCOL**

Fifth session

Bangkok, 31 March to 4 April 2008, and Bonn, 2–12 June 2008

Agenda item 3 (c) and (d)

Analysis of means to reach emission reduction targets and identification of ways to enhance their effectiveness and contribution to sustainable development

Greenhouse gases, sectors and source categories

Possible approaches targeting sectoral emissions

Greenhouse gases, sectors and source categories to be covered, and possible approaches targeting sectoral emissions

Draft conclusions proposed by the Chair

1. In accordance with its conclusions at the first part of its fifth session, the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP) considered, with due attention to improving the environmental integrity of the Kyoto Protocol:
 - (a) How approaches targeting sectoral emissions could be used by Annex I Parties as a means to reach their emission reduction targets;
 - (b) Possible broadening of the coverage of greenhouse gases (GHGs), sectors and source categories and its implications, based on sound science;
 - (c) How approaches to limit or reduce emissions of GHGs not controlled by the Montreal Protocol from aviation and marine bunker fuels could be used by Annex I Parties as a means to reach their emission reduction targets, taking into account Article 2, paragraph 2, of the Kyoto Protocol.
2. The AWG-KP noted that approaches targeting sectoral emissions could be used by Annex I Parties as a means to reach, but not replace, their emission reduction targets.
3. The AWG-KP took note of the views expressed by Parties under these agenda sub-items and compiled by the Chair of the AWG-KP under his responsibility, as contained in the annex to these conclusions.
4. The AWG-KP agreed to continue its work, within its mandate and according to its work programme, at the first part of its sixth session (August 2008) so that conclusions may be adopted at that session.

Annex

[ENGLISH ONLY]

Views of Parties compiled by the Chair of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol on possible approaches targeting sectoral emissions and on greenhouse gases, sectors and source categories to be covered

This annex is the compilation of views of Parties and does not prejudice any actions by the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP).

Possible approaches targeting sectoral emissions

1. Approaches targeting sectoral emissions in Annex I Parties could assist Annex I Parties in reaching their national emission reduction targets and could cover both producing and consuming sectors. These approaches should lead to a real benefit for the climate.
2. Approaches targeting sectoral emissions, within the mandate of the AWG-KP and according to its work programme, should not:
 - Replace national targets of Annex I Parties;
 - Lead to commitments for non-Annex I Parties;
 - Constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade.
3. Types of approaches targeting sectoral emissions, within the mandate of the AWG-KP and according to its work programme, include:
 - Bottom-up sectoral analysis to inform the discussion on mitigation potentials of Annex I Parties;¹
 - Cooperative sectoral approaches supported and enabled by finance and technology;
 - Sectoral crediting in non-Annex I Parties;²
 - Complementary sector-specific goals for Annex I Parties.

Greenhouse gases, sectors and source categories to be covered

1. Ensure a comprehensive coverage of greenhouse gases (GHGs), sectors and source categories based on the Fourth Assessment Report of the Intergovernmental Panel on Climate Change (AR4).
2. Ensure the environmental integrity of the Kyoto Protocol.

A. Greenhouse gases

1. Consider possible implications of adding new gases for:

¹ Relevant for discussions on mitigation potential.

² Relevant for discussions under emissions trading and the project-based mechanisms under agenda item 3(a).

- Mitigation potentials of Annex I Parties;
- The carbon market, in particular the supply and demand for tradable units under the Kyoto Protocol;
- National action in Annex I Parties.

2. Based on the above implications, consider adding to Annex A to the Kyoto Protocol, taking into account the availability of methodologies for estimating anthropogenic emissions and global warming potentials or any other metric:

- Then new GHGs to the group of hydrofluorocarbons and perfluorocarbons referred to the AR4;
- Then new GHGs or groups of GHGs including fluorinated ethers and perfluoropolyethers referred to in the AR4.

B. Sectors and source categories

1. Consider the possible implications of broadening the coverage of sectors and source categories, taking into account:

- The results of consideration of adding new GHGs or groups of GHGs;
- The results of consideration of the application of the *2006 IPCC Guidelines for National Greenhouse Gas Inventories*;
- The results of the consideration of the definitions, modalities, rules and guidelines for the treatment of land use, land-use change and forestry (LULUCF) in the second commitment period.

2. Based on the above implications, make any necessary changes to the coverage of sectors and source categories under Annex A to the Kyoto Protocol.

[Emissions from aviation and maritime bunker fuels

1. Limiting or reducing emissions from aviation and marine bunker fuels as a means for Annex I Parties to reach their emission reduction targets in accordance with Article 2, paragraph 2, of the Kyoto Protocol.

2. Scope of limiting or reducing emissions from aviation and marine bunker fuels as a means for Annex I Parties to reach their emission reduction targets in accordance with Article 2, paragraph 2, of the Kyoto Protocol:

- The International Civil Aviation Organization (ICAO) and International Maritime Organization (IMO) to take the lead; emissions to continue to be reported separately from national totals in accordance with the UNFCCC and Kyoto Protocol reporting guidelines;
- UNFCCC to agree on mitigation objectives; ICAO and IMO to implement these objectives;
- UNFCCC to take the lead by allocating emissions to national totals; ICAO and IMO to provide technical expertise.

3. Need for progress on discussions on Article 2, paragraph 3, of the Kyoto Protocol.

4. Apply economic instruments to emissions from aviation and marine bunker fuels as a source of revenue to finance, inter alia, adaptation and reduction of emissions from deforestation and forest degradation in developing countries.]
