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Item 13 of the provisional agenda
Second review of the Kyoto Protocol pursuant to its Article 9

**Information on the work of the Ad Hoc Working Group on Further
Commitments for Annex I Parties under the Kyoto Protocol
in accordance with decision 4/CMP.3, paragraph 10**

Note by the secretariat

Summary

This note summarizes information on the work of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP) with regard to: emissions trading and the project-based mechanisms under the Kyoto Protocol; the rules to guide the treatment of land use, land-use change and forestry; the greenhouse gases, sectors and source categories to be covered, and possible approaches targeting sectoral emissions; and methodologies to be applied for estimating anthropogenic emissions and the global warming potentials of greenhouse gases. It provides an overview of progress in the implementation of the work programme of the AWG-KP since the establishment of this group.

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I. Introduction

A. Mandate

1. By its decision 4/CMP.3 on the scope and content of the second review of the Kyoto Protocol pursuant to its Article 9, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) agreed that this review (hereinafter referred to as the second review) shall aim to further enhance the implementation of the Protocol and further elaborate upon a number of its elements, in particular adaptation.
2. By paragraph 10 of the same decision, the CMP requested the secretariat to provide, by October 2008, an information paper on the work of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP) with regard to: emissions trading and the project-based mechanisms under the Kyoto Protocol; the rules to guide the treatment of land use, land-use change and forestry (LULUCF); the greenhouse gases (GHGs), sectors and source categories to be covered, and possible approaches targeting sectoral emissions; and methodologies to be applied for estimating anthropogenic emissions and the global warming potentials (GWPs) of GHGs.

B. Scope of the note

3. Chapter II of this document provides background information on the establishment of the AWG-KP and its work programme. Chapter III provides information on the work of the AWG-KP on the issues referred to in paragraph 2 above.

C. Possible action by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol

4. The CMP may wish to consider the information contained in this note in undertaking the second review. It may also wish to consider taking decisions on those issues identified in the preparations for the second review that could facilitate progress by the AWG-KP in 2009.

II. Background

A. Establishment of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol

5. At its first session, the CMP decided to initiate a process to consider further commitments for Parties included in Annex I to the Convention (Annex I Parties) for the period beyond 2012 in accordance with Article 3, paragraph 9, of the Kyoto Protocol. It further decided that such a process shall be conducted in an open-ended ad hoc working group of Parties to the Kyoto Protocol which will report to each session of the CMP on the status of this process. The CMP agreed that the group shall aim to complete its work and have its results adopted by the CMP as early as possible and in time to ensure that there is no gap between the first and second commitment periods.¹
6. The AWG-KP held its first session (AWG-KP 1) in conjunction with the twenty-fourth sessions of the subsidiary bodies (Bonn, May 2006). At this session, the AWG-KP reaffirmed that it would proceed expeditiously towards agreement on further commitments by Annex I Parties and the duration thereof.²
7. As at September 2008, the AWG-KP had met eight times. At its resumed fourth session (AWG-KP 4.2, Bali, December 2007), the AWG-KP agreed that its seventh and eighth sessions will be

¹ Decision 1/CMP.1, paragraphs 1–3.

² FCCC/KP/AWG/2006/2, paragraph 20.

held and concluded in 2009 and that, at these sessions, the tasks of the AWG-KP will be, among others, to forward to the CMP at its fifth session the results of its work with a view to their adoption.³

B. Work programme

8. At AWG-KP 2 (Nairobi, December 2006), the AWG-KP decided that its work programme will include the following tasks: (1) analysis of mitigation potentials and ranges of emission reduction objectives of Annex I Parties; (2) analysis of possible means to achieve mitigation objectives; and (3) consideration of further commitments by Annex I Parties. It also agreed to address legal matters arising from its mandate in due course.⁴

9. As regards the analysis of possible means to achieve mitigation objectives, the AWG-KP further specified that this task should include:

- (a) Analysis of means that may be available to Annex I Parties to reach their emission reduction targets (hereinafter referred to as the means to reach emission reduction targets), including: emissions trading and the project-based mechanisms under the Kyoto Protocol; the rules to guide the treatment of LULUCF; the GHGs, sectors and source categories to be covered, and possible approaches targeting sectoral emissions; and identification of ways to enhance the effectiveness of these means and their contribution to sustainable development;
- (b) Consideration of relevant methodological issues, including the methodologies to be applied for estimating anthropogenic emissions and the GWPs of GHGs.

10. Also at AWG-KP 2, the group agreed that it will keep its work programme and methods of work under review. It reaffirmed that the completion of its work programme will be advanced primarily through the work of Parties, and that it will draw upon relevant results achieved and work under way in other bodies and processes under the Convention and its Kyoto Protocol.⁵

11. The next milestone relating to the work programme was reached at AWG-KP 4.2. At this session, the AWG-KP agreed on a timetable to guide the completion of work, which specifies tasks and inputs for 2008, focusing on the means to reach emission reduction targets and methodological issues, and identifies initial inputs for 2009.⁶ It also agreed to consider, as part of its work programme, the potential environmental, economic and social consequences, including spillover effects, of tools, policies, measures and methodologies available to Annex I Parties (hereinafter referred to as spillover effects).⁷

12. The AWG-KP understands its work programme to be iterative, which means that the group may, at any session, revert to conclusions adopted in past sessions and review them in the light of additional information it has considered.

³ FCCC/KP/AWG/2007/5, paragraph 22 (c).

⁴ FCCC/KP/AWG/2006/4, paragraphs 17 and 18.

⁵ FCCC/KP/AWG/2006/4, paragraphs 24 and 19.

⁶ FCCC/KP/AWG/2007/5, annex I.

⁷ FCCC/KP/AWG/2007/5, paragraphs 21 (a) (i) and 21 (c) (i).

III. Progress to date of the work programme of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol

13. As a result of the regular review of its work programme, the AWG-KP has specified the focus of its work at its different sessions as follows:

- (a) In 2007, AWG-KP 3 (Bonn, May 2007), AWG-KP 4.1 (Vienna, August 2007) and AWG-KP 4.2 were focused on the analysis of mitigation potentials and ranges of emission reduction objectives of Annex I Parties;
- (b) In 2008, AWG-KP 5.1 (Bangkok, March–April 2008), AWG-KP 5.2 (Bonn, June 2008) and AWG-KP 6.1 (Accra, August 2008) were focused on the means to reach emission reduction targets,⁸ relevant methodological issues and spillover effects;
- (c) In 2009, AWG-KP 7, AWG-KP 8 and subsequent sessions will be focused on an agreement on further commitments for Annex I Parties under the Kyoto Protocol for the period beyond 2012.

14. In line with its conclusions at AWG-KP 2,⁹ the AWG-KP has held various in-session events, including workshops and round tables, to enable Parties to interact with experts. To date, the following events have been organized:

- (a) A workshop,¹⁰ held at AWG-KP 2, to facilitate the presentation of information relevant to the work of the group;
- (b) A round table,¹¹ held at AWG-KP 3, on the analysis of the mitigation potential, effectiveness, efficiency, costs and benefits of current and future policies, measures and technologies at the disposal of Annex I Parties;
- (c) A workshop,¹² held at AWG-KP 5.1, on the means to reach emission reduction targets;
- (d) A round table,¹³ held at AWG-KP 5.2, on the means to reach emission reduction targets and the identification of ways to enhance their effectiveness and contribution to sustainable development;
- (e) A workshop,¹⁴ also held at AWG-KP 5.2, on the consideration of relevant methodological issues.

A. Emissions trading and the project-based mechanisms

15. The AWG-KP considered emissions trading and the project-based mechanisms for the first time at AWG-KP 5.1. At this session, it agreed that emissions trading and the project-based mechanisms under the Kyoto Protocol should continue to be available to Annex I Parties as means to meet their

⁸ At its resumed fifth session, the AWG-KP further specified that in advancing work on the means to reach emission reduction targets, it will consider the implications for the carbon market, in particular the supply of and demand for tradable units under the Kyoto Protocol, resulting from changes to these means (FCCC/KP/AWG/2008/3, para. 14).

⁹ FCCC/KP/AWG/2006/4, paragraph 21.

¹⁰ A report is available in document FCCC/KP/AWG/2006/4, annex I.

¹¹ A report is available in document FCCC/KP/AWG/2007/2, annex I.

¹² A report is available in document FCCC/KP/AWG/2008/2, annex I.

¹³ A report is available in document FCCC/KP/AWG/2008/3, annex I.

¹⁴ A report is available in document FCCC/KP/AWG/2008/3, annex IV.

emission reduction targets, and could be appropriately improved. It also noted that the use of such mechanisms should be supplemental to the implementation of domestic actions.¹⁵

16. Possible improvements to emissions trading and the project-based mechanisms were considered at AWG-KP 5.2. At that session, the Chair compiled, under his responsibility, views by Parties on such improvements.¹⁶ Some Parties have observed linkages between the work of the AWG-KP and the process for the second review; for example, in the work on accessibility to the clean development mechanism (CDM) by host Parties and extending the share of proceeds to other flexibility mechanisms. The AWG-KP noted that a number of issues that were identified at this session may be considered for possible application within the current commitment period.¹⁷ In this context, the AWG-KP recommended that the CMP, at its fourth session, may consider them and take actions that may be appropriate.¹⁸

17. Taking into account relevant submissions by Parties, the results of the events referred to in paragraph 14 above and the outcomes from AWG-KP 5.2, the AWG-KP adopted conclusions relevant to emissions trading and the project-based mechanisms at AWG-KP 6.1. The group identified possible improvements with potentially significant implications for the ability of Annex I Parties to achieve mitigation objectives and other possible improvements. These are contained in annexes I and II to the report of AWG-KP 6.1¹⁹ and are summarized in annexes I and II to this document. At the same session the AWG-KP noted the importance of further assessing the elements contained in these annexes and clarifying any implications for the ability of Annex I Parties to achieve their mitigation objectives, and agreed to continue its deliberations at AWG-KP 6.2 (Poznan, December 2008). To facilitate this work, the AWG-KP requested its Chair to elaborate the elements contained in annexes I and II to the report of AWG-KP 6.1, based on relevant submissions by Parties.²⁰

18. Also at AWG-KP 6.1, some Parties expressed the view that some of the elements listed in annex II to the report of that session would require an amendment to the Kyoto Protocol and would not be within the mandate of the AWG-KP. Some other Parties expressed the view that legal analysis is needed to determine which elements in that annex would require a decision of the CMP or an amendment to the Kyoto Protocol and that such amendments would be within the mandate of the AWG-KP.

19. Most of the improvements to emissions trading and the project-based mechanisms that are being considered by the AWG-KP are specific to the CDM, joint implementation and emissions trading; some apply to all three mechanisms. They address, inter alia:

- (a) Scope;
- (b) Effectiveness and efficiency;
- (c) Accessibility;
- (d) Contribution to sustainable development, capacity to generate co-benefits and the transfer of technology.

B. The rules to guide the treatment of land use, land-use change and forestry

20. The AWG-KP considered the rules to guide the treatment of LULUCF for the first time at AWG-KP 5.1. At this session, it agreed that measures to limit or reduce GHG emissions and to enhance

¹⁵ FCCC/KP/AWG/2008/2, paragraph 18.

¹⁶ The compilation by the Chair is contained in document FCCC/KP/AWG/2008/3, annex II.

¹⁷ The compilation by the Chair is contained in document FCCC/KP/AWG/2008/3, annex III.

¹⁸ FCCC/KP/AWG/2008/3, paragraph 21.

¹⁹ FCCC/KP/AWG/2008/5.

²⁰ FCCC/KP/AWG/2008/5, paragraphs 20, 21 and 23.

removals resulting from anthropogenic LULUCF activities should continue to be available to Annex I Parties as means to reach their emission reduction targets. It acknowledged that further discussions on this issue should take into account the principles that govern the treatment of LULUCF, as set out in decision 16/CMP.1.²¹

21. At AWG-KP 5.2, the AWG-KP considered how to address, where applicable, the definitions, modalities, rules and guidelines for the treatment of LULUCF in the second commitment period. At that session, the Chair compiled options and issues relating to LULUCF for consideration at future sessions.²² The AWG-KP encouraged Parties to share information to allow better assessment of the implications of these options and issues and agreed that Parties would continue to exchange their views at AWG-KP 6.1.²³

22. Taking into account relevant submissions by Parties, the results of the events referred to in paragraph 14 above and the outcomes from AWG-KP 5.2, the group adopted conclusions relevant to LULUCF at AWG-KP 6.1. The AWG-KP compiled four options for addressing the definitions, modalities, rules and guidelines for the treatment of LULUCF in the second commitment period. These options are contained in annex III to the report of AWG-KP 6.1²⁴ and are summarized in annex III to this document. Under all options, the principles contained in paragraph 1 of decision 16/CMP.1 would be retained, with or without amendment. The AWG-KP agreed to further consider these options at AWG-KP 6.2.²⁵

23. The AWG-KP has made use of decision 16/CMP.1 as a reference to advance its work. It has addressed the following elements:

- (a) Definitions;
- (b) Rules for activities under Articles 3, paragraphs 3 and 4, 6 and 12, of the Kyoto Protocol;
- (c) Voluntary versus mandatory accounting of LULUCF;
- (d) Harvested wood products;
- (e) Addressing natural disturbances.

C. Possible approaches targeting sectoral emissions

24. The AWG-KP considered possible approaches targeting sectoral emissions for the first time at AWG-KP 5.1. At this session, it agreed that it would consider how these approaches, and 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 means to reach their emission reduction targets.²⁶

25. At AWG-KP 5.2, 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. At that session, the Chair compiled views by Parties and identified the following types of sectoral approaches:²⁷

- (a) Bottom-up sectoral analysis to inform the discussion on mitigation potentials of Annex I Parties;

²¹ FCCC/KP/AWG/2008/2, paragraph 19.

²² The compilation by the Chair is contained in document FCCC/KP/AWG/2008/3, annex IV.

²³ FCCC/KP/AWG/2008/3, paragraphs 26 and 27.

²⁴ FCCC/KP/AWG/2008/5.

²⁵ FCCC.KP/AWG/2008/5, paragraph 28.

²⁶ FCCC/KP/AWG/2008/2, paragraph 21 (c) and (e).

²⁷ The compilation by the Chair is contained in document FCCC/KP/AWG/2008/3, annex V.

- (b) Cooperative sectoral approaches supported and enabled by finance and technology;
- (c) Sectoral crediting in non-Annex I Parties;
- (d) Complementary sector-specific goals for Annex I Parties.

26. Work on possible approaches targeting sectoral emissions will continue at AWG-KP 6.2.

D. Greenhouse gases, sectors and source categories to be covered

27. The AWG-KP considered the GHGs, sectors and source categories to be covered for the first time at AWG-KP 5.1. At this session, it agreed to consider the possible broadening of the coverage of GHGs, sectors and source categories and its implications, based on sound science.²⁸

28. At AWG-KP 5.2, the Chair compiled, under his responsibility, views by Parties on this matter,²⁹ which included the view that a comprehensive coverage of GHGs, sectors and source categories is needed. Some Parties stated that the consideration of the application of the *2006 IPCC Guidelines for National Greenhouse Gas Inventories* (2006 IPCC guidelines) is also relevant for discussions on this matter.

29. At AWG-KP 6.1, the AWG-KP agreed that the aggregate carbon dioxide (CO₂) equivalent treatment of GHGs provided for in Article 3 of the Kyoto Protocol (also known as the “basket approach”) should continue for the second commitment period. It also agreed to further consider at AWG-KP 6.2, inter alia, the scientific, technical, methodological and legal aspects of possible inclusion of new gases in the second commitment period.³⁰

30. Issues that would require agreement by the AWG-KP relating to GHGs, sectors and source categories include whether some or all of the gases under consideration should be included in the second commitment period. Such an agreement will depend on the availability of methodologies for reporting the emissions and GWPs of these gases. The group may also need to consider amendments to Annex A to the Kyoto Protocol resulting from any decision relating to the application of the 2006 IPCC guidelines.

E. Methodologies to be applied for estimating anthropogenic emissions and the global warming potentials of greenhouse gases

31. The AWG-KP considered relevant methodological issues for the first time at AWG-KP 5.2. At this session, the Chair compiled views by Parties on the matter,³¹ which relate mostly to the application of the 2006 IPCC guidelines for the period beyond 2012. In addition, some Parties referred to the need to ensure consistency and comparability of reporting between the first and subsequent commitment periods of the Kyoto Protocol and of reporting under the Convention and its Kyoto Protocol. Parties have also referred to linkages between the work of the AWG-KP on methodological issues and the work of the second review regarding reporting and review issues.

32. At AWG-KP 6.1, the group acknowledged that the application of the 2006 IPCC Guidelines for the second commitment period of the Kyoto Protocol should be subject to any decisions of the CMP that result from the consideration of these guidelines by the Subsidiary Body for Scientific and Technological Advice at its thirtieth session. It also considered common metrics to calculate the CO₂ equivalence of anthropogenic emissions by sources and removals by sinks of GHGs, which include GWPs and global temperature potentials, and invited the Intergovernmental Panel on Climate Change to undertake further

²⁸ FCCC/KP/AWG/2008/2, paragraph 21 (d).

²⁹ The compilation by the Chair is contained in document FCCC/KP/AWG/2008/3, annex V.

³⁰ FCCC/KP/AWG/2008/5, paragraphs 32 and 35. These new gases include nitrogen trifluoride (NF₃) and trifluoromethyl sulphur pentafluoride (SF₅CF₃).

³¹ The compilation by the Chair is contained in document FCCC/KP/AWG/2008/3, annex VI.

technical assessments of these metrics. In this context, it agreed to further consider GWPs and alternative common metrics, as well as the implications of their application in the second commitment period, at AWG-KP 6.2.³²

F. Other issues

33. The work programme of the AWG-KP also includes the following issues:
- (a) Analysis of mitigation potentials and ranges of emission reduction objectives of Annex I Parties, to be considered again at AWG-KP 6.2;
 - (b) Spillover effects, which were addressed for the first time at AWG-KP 6.1 and which will also be considered at AWG-KP 6.2;³³
 - (c) Legal issues arising from the mandate of the AWG-KP, to be addressed in 2009;
 - (d) The duration of the commitment period and further commitments for Annex I Parties, including new quantitative emission limitation or reduction commitments, also to be addressed in 2009.

G. Further work

34. As indicated in paragraphs 17, 22, 26, 29 and 32 above, the AWG-KP has identified a need for further work on specific aspects of elements and options identified so far on the means to reach emission reduction targets and relevant methodological issues. Such work would seek to develop a clear understanding of the elements and options as well as the implications of implementing them for the environmental integrity of the Kyoto Protocol and the carbon market, among other things. It has been stressed that such an understanding will enable the AWG-KP to agree on the rules of implementation of commitments for Annex I Parties for the period beyond 2012, to allow the group to reach agreement on such commitments.

35. The AWG-KP has agreed that the work referred to in paragraph 34 above should take place at AWG-KP 6.2. Owing to time constraints, it is unlikely that the group will be able to conclude its work on the means to reach emission reduction targets and on relevant methodological issues at that session. Some specific work on these matters may need to continue in 2009 and be developed as the group advances its work and reaches a conclusion relating to further commitments for Annex I Parties under the Kyoto Protocol.

³² FCCC/KP/AWG/2008/5, paragraphs 42, 45 and 46.

³³ At AWG-KP 6.1, Parties were invited to submit their views on this matter by 3 October 2008. A workshop on spillover effects will be organized as part of the work programme of the AWG-KP in 2009 (FCCC/KP/AWG/2008/5, paras. 51 and 52).

Annex I**Summary of possible improvements to emissions trading and the project-based mechanisms under the Kyoto Protocol with potentially significant implications for the ability of Annex I Parties to achieve mitigation objectives**

Note: This is a summary of annex I to the report of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol at the first part of its sixth session (FCCC/KP/AWG/2008/5).

Clean development mechanism

- Include other land use, land-use change and forestry activities
- Introduce a cap for newly eligible land use, land-use change and forestry activities
- Include carbon dioxide capture and storage
- Include nuclear activities
- Introduce sectoral clean development mechanism for emission reductions below a baseline defined at a sectoral level
- Introduce sectoral crediting of emission reductions below a previously established no-lose target
- Introduce crediting on the basis of nationally appropriate mitigation actions
- Ensure environmental integrity and assess additionality through the development of standardized, multi-project baselines
- Ensure environmental integrity and assess additionality through the development of positive or negative lists of project activity types
- Differentiate the eligibility of Parties through the use of indicators
- Improve access to clean development mechanism project activities by specified host Parties
- Include co-benefits as criteria for the registration of project activities
- Introduce multiplication factors to increase or decrease the certified emission reductions issued for specific project activity types

Joint implementation

- Introduce modalities for treatment of clean development mechanism project activities upon graduation of host Parties
- Include nuclear activities
- Include projects that reduce greenhouse gas emissions from deforestation and degradation
- Ensure environmental integrity and assess additionality through the development of positive or negative lists of project types
- Include co-benefits as criteria for the final determination for projects

Emissions trading

- Introduce emissions trading based on sectoral targets
- Introduce emissions trading on the basis of nationally appropriate mitigation actions
- Introduce the linking of emissions trading schemes in Annex I Parties to voluntary emissions trading schemes in non-Annex I Parties

Cross-cutting issues

- Relax or eliminate carry-over (banking) restrictions on Kyoto units
- Change the limit on the retirement of temporary certified emission reductions and long-term certified emission reductions
- Introduce borrowing of assigned amount from future commitment periods
- Extend the share of proceeds

Annex II

Summary of other possible improvements to emissions trading and the project-based mechanisms under the Kyoto Protocol

Note: This is a summary of annex II to the report of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol at the first part of its sixth session (FCCC/KP/AWG/2008/5).

Clean development mechanism

- Introduce a different supervisory structure and institutional arrangement in case of modification of the scope of the clean development mechanism
- Change the composition of the Executive Board membership to ensure equitable representation of Parties
- Move the secretariat's function of supporting the Executive Board to another organization
- Introduce alternative institutional arrangements for validation, verification and certification
- Broaden the role of host Party governments
- Differentiate the treatment of types of project activities by Party
- Allocate proportions of demand to project activity types that contribute more to the sustainable development of host Parties
- Allocate proportions of demand to specific groups of host Parties to enhance their sustainable development
- Introduce alternative accounting rules for afforestation and deforestation project activities in order to increase demand
- Restrict the clean development mechanism to bilateral project activities
- Use global temperature potentials instead of global warming potentials
- Include technology transfer as a criterion for the registration of project activities
- Revise criteria for accreditation of designated operational entities, especially financial criteria, or enhance the accreditation of designated operational entities based in non-Annex I Parties

Joint implementation

- Ensure approaches for land use, land-use change and forestry projects under joint implementation are in line with the treatment of land use, land-use change and forestry under Article 3, paragraphs 3 and 4, of the Kyoto Protocol
- Introduce approaches for land use, land-use change and forestry projects under joint implementation that are parallel to the treatment of clean development mechanism afforestation and reforestation project activities
- Introduce crediting on the basis of nationally appropriate mitigation actions
- Introduce a different supervisory structure and institutional arrangement in case of modification of the scope of joint implementation
- Change the composition of the Joint Implementation Supervisory Committee membership to ensure equitable representation of Parties
- Move the secretariat's function of supporting the Joint Implementation Supervisory Committee to another organization
- Introduce alternative institutional arrangements for determination and verification
- Broaden the role of host Party governments
- Differentiate the eligibility of Parties through the use of indicators
- Improve access to joint implementation projects by certain host Parties
- Differentiate the treatment of types of projects by Party

- Allocate proportions of demand to project types that contribute more to the sustainable development of host Parties
- Allocate proportions of demand to specific groups of host Parties to enhance their sustainable development
- Restrict joint implementation to bilateral projects
- Introduce multiplication factors to increase or decrease the emission reduction units issued for specific project types
- Use global temperature potentials instead of global warming potentials
- Include technology transfer as a criterion for the final determination for projects

Emissions trading

- Eliminate restrictions on the trading and use of certain Kyoto unit types under national and regional emissions trading schemes
- Enhance equivalence among Kyoto unit types
- Reduce the commitment period reserve
- Increase the commitment period reserve
- Encourage disclosure of information on transactions of Kyoto units
- Move the secretariat's function of maintaining and operating the international transaction log to another organization

Cross-cutting issues

- Reduce the number of unit types under the Kyoto Protocol
- Introduce a mid-commitment period assessment and review process

Annex III**Summary of possible options for consideration relating to land use, land-use change and forestry**

Note: This is a summary of annex III to the report of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol at the first part of its sixth session (FCCC/KP/AWG/2008/5).

Definitions

- No changes
- Amend the definition for deforestation to provide for land-use flexibility¹
- Add additional definitions (e.g. wetland degradation and restoration; forest degradation or amending the definition of forest management; and devegetation)

Article 3, paragraph 3

- No changes
- Delete or extend the afforestation and reforestation credit and debit rule

Article 3, paragraph 4

- No changes
- Remove the appendix (i.e. remove the caps)
- Replace the appendix with a discount factor or discount factors
- Apply net-net accounting with base year
- Apply net-net accounting with base year period
- Apply net-net accounting with forward looking baselines

Article 12

- Address non-permanence
- Consider other methodological issues

Other issues

- Consider voluntary versus compulsory accounting of activities under Article 3, paragraph 4
- Address the accounting of harvested wood products
- Deal with natural disturbances

The last option considered by the group is a land-based approach to land use, land-use change and forestry (LULUCF), which would require:

- Deleting Articles 3, paragraphs 3 and 4, of the Kyoto Protocol
- Amending Article 3, paragraph 7, on the establishment of assigned amount
- Amending Annex A to include land-based accounting
- The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol adopting a decision that specifies the provisions for land-based accounting of LULUCF
- Amending decisions, as appropriate, to reflect the new treatment of LULUCF in the reporting and accounting of greenhouse gas emissions and removals and the use of the flexibility mechanisms

¹ Land-use flexibility in this context means allowing a Party to deforest an area of pre-1990 plantation forest and establish an equivalent forest elsewhere without incurring deforestation liabilities.