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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

**Ad Hoc Working Group on Further Commitments
for Annex I Parties under the Kyoto Protocol**

**Thirteenth session
Bonn, 2–6 August 2010**

Agenda item 3

Consideration of further commitments for Annex I Parties under the Kyoto Protocol

**Views on document FCCC/KP/AWG/2010/6/Add.1 for
consideration by the Ad Hoc Working Group on Further
Commitments for Annex I Parties under the Kyoto Protocol
at its thirteenth session, with a view to facilitating the
updating of the document at least two weeks before the
fourteenth session of the Ad Hoc Working Group on Further
Commitments for Annex I Parties under the Kyoto Protocol**

Submissions from Parties

Addendum

1. In addition to the three submissions contained in document FCCC/KP/AWG/2010/MISC.5, three further submission have been received.
2. In accordance with the procedure for miscellaneous documents, these submissions are attached and reproduced* in the language in which they were received and without formal editing.

* These submissions have been electronically imported in order to make them available on electronic systems, including the World Wide Web. The secretariat has made every effort to ensure the correct reproduction of the texts as submitted.

FCCC/KP/AWG/2010/MISC.5/Add.1

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* This submission is supported by Albania, Bosnia and Herzegovina, Croatia, Montenegro and Serbia.

**AOSIS – inserts to document FCCC/KP/AWG/2010/Add.1
August 2010**

I. Proposed amendments for inclusion in updated Add.1

In FCCC/KP/AWG/2010/6/Add.1 (the “Add.1 document”) a number of proposed amendments to the Kyoto Protocol have been captured, as part of the AWG-KP Chair’s documentation to facilitate negotiations.

Certain proposals for amendments that AOSIS has formally submitted have not yet been reflected in the Add.1 document and should be incorporated during its updating. These are set out below. These proposals were presented as part of a broader proposal, both for amendments to the Kyoto Protocol under the AWG-KP track and for a new Protocol to the UNFCCC under the AWG-LCA track. See pages 21 to 25 of *the Proposal by the Alliance of Small Island States (AOSIS) for the Survival of the Kyoto Protocol and a Copenhagen Protocol to Enhance the Implementation of the United Nations Framework Convention on Climate Change*, formally submitted to the Secretariat on 12 December 2009, and resubmitted with minor editorial changes on 28 May 2010.

In addition, a small number of specific substantive proposals have been made during the course of the negotiating process, building on the existing Add.1 text and the issues raised in this text. AOSIS would also like to see these proposals captured as part of the updating process. These are separately recalled below.

II. Proposed amendments formally submitted but not yet captured, for inclusion in FCCC/KP/AWG/ 2010/6/Add.1

The following proposed amendments to the Kyoto Protocol have been formally submitted by AOSIS. AOSIS requests that these proposals be included in the updated Add.1 document. Editorial changes to these previous proposals are noted by underscoring.

A. The following paragraph shall be added to Article 6 of the Protocol after its paragraph 4:

5. The Conference of the Parties serving as the meeting of the Parties to this Protocol shall ensure that a share of the proceeds from approved project activities established under this Article is used to cover administrative expenses as well as to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.

B. The existing paragraph in Article 17 of the Protocol shall be renumbered Article 17, paragraph 1, and a second paragraph added as follows:

2. The Conference of the Parties serving as the meeting of the Parties to this Protocol shall ensure that a share of the proceeds from the issuance of assigned amount units is used to cover administrative expenses as well as to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.

C. The existing paragraph in Article 18 of the Protocol shall be renumbered Article 18, paragraph 1, and a second paragraph added as follows:

2. In accordance with paragraph 1 above, the procedures and mechanisms relating to compliance under this Protocol adopted by decision 27/CMP.1 of the Conference of the Parties serving as the meeting of the Parties to this Protocol shall apply. Further procedures and mechanisms to address cases of non-compliance under paragraph 1 above shall be adopted by the Conference of the Parties serving as the meeting of the Parties to this Protocol.

D. The following list of greenhouse gases shall replace the list currently under the heading "Greenhouse gases" in Annex A to the Protocol:

Greenhouse gases

Carbon dioxide (CO₂)
Methane (CH₄)
Nitrous oxide (N₂O)
Hydrofluorocarbons (HFCs)
Perfluorocarbons (PFCs)
Perfluorinated compounds
Sulphur hexafluoride (SF₆)
Nitrogen trifluoride (NF₃)
Hydrofluoroethers/Fluorinated ethers (HFEs)
Perfluoropolyethers (PFPMIE)
Trifluoromethyl sulphur pentafluoride (SF₅CF₃)

There are other ways proposed new gases and families of gases could be reflected in the text of an amended Annex A. For example, the heading "Perfluorinated compounds" might capture below it, indented, "Sulphur hexafluoride (SF₆), Nitrogen trifluoride (NF₃), Perfluorocarbons (PFCs) and Trifluoromethyl sulphur pentafluoride (SF₅CF₃). The heading "Perfluoropolyethers (PFPEs)" could be used with "Perfluoropolymethylisopropyl ethers (PFPMIE)" captured, indented, under this heading.

III. Additional proposed amendments reflecting AOSIS proposals made during the course of the negotiating process, for reflection in FCCC/KP/AWG/2010/6/Add.1

The following proposals have been made during the course of the negotiating process, building on the existing Add.1 text and the issues raised in this text. AOSIS would like to see these proposals captured in the Add.1 text as part of the updating process. Underscored text reflects proposed amendment language for inclusion in the Add.1 text.

A. Article 3, paragraph 8 of the Protocol shall be amended, and a new paragraph 8bis added as follows:

8. Any Party included in Annex I may use 1995 as its base year for hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride, for the purposes of the calculation referred to in paragraphs 7 and 7 bis above.

8bis. Each Party included in Annex I shall use 19[xx] as its base year for nitrogen trifluoride, hydrofluoroethers/fluorinated ethers, perfluoropolyethers, and trifluoromethyl sulfur pentafluoride, for the purposes of the calculation referred to in paragraph 7bis above.

B. In Article 3 of the Protocol, a new paragraph 13bis shall be added immediately following existing Article 3, paragraph 13 as follows:

13. If the emissions of a Party included in Annex I in a commitment period are less than its assigned amount under this Article, this difference shall, on request of that Party, be added to the assigned amount for that Party for subsequent commitment periods.

13bis Any additions to the assigned amount referred to in paragraph 13 above, shall be limited to [0.1] [X] percent of such Party's assigned amount in the preceding period.

C. The following paragraph shall be added to Article 3 of the Protocol after its paragraph 14:

15. The Parties to this Protocol shall undertake and conclude, no later than 31 December 2015, an interim assessment and review of efforts made by Parties included in Annex I to meet quantified emission limitation and reduction commitments for the second commitment period inscribed in Annex B to this Protocol in order to assess progress and determine whether additional measures are needed, based on best available scientific information, to meet the ultimate objective of the Convention. This review shall be completed in sufficient time to enable the Conference of the Parties serving as the meeting of the Parties to this Protocol to specify additional measures to be taken by such Parties, which may include more stringent quantitative emission limitation and reduction commitments.

AOSIS notes that it has made a series of proposals on ways to address the issue of carryover (section B above), both supply side and demand side, at the last session and at the in-session workshop at this session. These proposals should also be considered.

Paper no. 2: Belgium and the European Commission on behalf of the European Union and its member States

SUBMISSION BY BELGIUM AND THE EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION AND ITS MEMBER STATES

This submission is supported by Albania, Bosnia and Herzegovina, Croatia, Montenegro and Serbia.

Brussels, 22 July 2010

Subject: Consideration of further commitments for Annex I Parties under the Kyoto Protocol (AWG-KP). Submission from Parties on their views on document FCCC/KP/AWG/2010/6/Add.1 for consideration by the AWG-KP at its thirteenth session with a view to facilitating the updating of the document

1. Introduction

The European Union welcomes the opportunity to submit its views on the updates required for the documentation to facilitate negotiations contained in document FCCC/KP/AWG/2010/6/Add.1.

The EU would like to emphasize at this stage that the proposed amendments herein are without prejudice to the position of the EU in the negotiations, nor will this proposal preclude further consideration being given to the amendment of Annex B and other relevant Articles of the Kyoto Protocol in order to reflect in particular new commitments by developed countries.

Although new amendments have been proposed herein, this submission does not reflect all possible proposals. It is important to note that the EU, in its domestic legislation for the period up to and beyond 2020, has had to make concrete choices in terms of the scope and coverage, as well as the sets of instruments available under this legislation. In doing so, it has increased scope and coverage, as well as the availability of instruments, reflecting the EU's emphasis on environmental integrity and ambition.

2. Need to address the carry-over of units into subsequent commitment periods

The EU underlines the importance of AAUs in the common accounting framework under the current commitment period within the Kyoto Protocol (2008-2012) and notes that, during the current commitment period under the Kyoto Protocol a significant amount of unused AAUs are likely to accrue as a consequence of emissions lower than the assigned amount. The EU also notes that the AAU surplus could affect the environmental integrity of a future agreement if it is not addressed appropriately.

In this light, the EU wishes to clarify that it considers it necessary that options to address this issue are assessed in the negotiation process. To this end, the EU proposes that a placeholder is included in the Chair's text to facilitate the negotiations. The EU reserves the right to formulate textual proposals for this provision in the course of the negotiations.

3. New Market Mechanisms

The EU has proposed new market mechanisms. These mechanisms can provide a more comprehensive price signal and generate credits on a greater scale. They can also reflect net contribution to global mitigation

efforts by developing countries for instance by issuing units ex post or ex ante against ambitious emission thresholds or targets set below projected emissions.

The European Union would like to welcome the discussions on new market mechanisms under the AWG-LCA and would like to emphasize its preference that this is the appropriate forum for such discussions. Nonetheless, the below proposed amendments are without prejudice to the position of the European Union in other aspects of the negotiations. This proposal is made specifically in the context of updates for the document FCCC/KP/AWG/2010/6/Add.1 in the AWG-KP and does not preclude further discussion or prejudice the outcome of the AWG-LCA.

Document FCCC/KP/AWG/2010/6/Add.1 makes reference to the units generated by these new market mechanisms in a proposed Article 3 paragraph 12 bis as follows:

12 bis. Any [names of units generated from new market mechanisms established under the Kyoto Protocol or Agreement under the Convention] which a Party acquires from another Party to the Convention in accordance with the provisions of [Article [A]] and [Article [B]] shall be added to the assigned amount for the acquiring Party.

To improve clarity and consistency in drafting, the EU proposes that this amendment proposal be redrafted as follows:

12 bis. Any [names of units generated from new market mechanisms established pursuant to Article[s][X],[Y]]¹ and [Z]² which a Party acquires from another Party to the Convention in accordance with the provisions of those Articles shall be added to the assigned amount or to the [amount calculated in accordance with the [target] established in accordance with Article Y] for the acquiring Party.

In addition, the document currently only makes reference to the details of such mechanisms, for the Kyoto Protocol, in footnote 9. In order for Parties to consider the addition of new market mechanisms the following additions are required:

1) Net transfers to another Party

The proposed formulation needs to be enhanced to accommodate the net transfers from a Party to another Party, complementing the new Article [Y]. The EU therefore proposes that a new Article 3 paragraph 12 ter be included:

12 ter. Any [units] generated from new market mechanism established pursuant to Article[s] [Y] and [Z]] which a Party transfers to another Party to the Convention in accordance with the provisions of those Articles shall be subtracted from the [amount calculated in accordance with the [target]] for the transferring Party.

2) Provisions for new market mechanisms

Insert new Article [X] – New market mechanism

¹ [X] and [Y] refer to the Article(s) of the Kyoto Protocol dealing with new market mechanism(s) as proposed below, if such mechanism(s) is (are) established under the Protocol.

² [Z] refers to the Article(s) of an Agreement under the Convention dealing with new market mechanism(s) if such mechanism(s) is (are) established under that Agreement

1. A new market mechanism is hereby defined.

2. The purpose of the new market mechanism shall be to enable Parties not included in Annex I to strengthen their contribution to the ultimate objective of the Convention, to assist Parties included in Annex I in achieving compliance with their quantified emission limitation and reduction commitments under Article 3, to promote sustainable development.

3. Under the new market mechanism:

(a) Parties not included in Annex I may propose, on a voluntary basis, emission thresholds for broad segments of the economy, set significantly below business as usual emissions.

(b) [Units] may be issued in respect of emission reductions beyond the emission threshold.

(c) Parties not included in Annex I will benefit from emission reduction activities resulting in [units]; and

(d) Parties included in Annex I may use the [units] accruing from such activities to contribute to compliance with part of their quantified emission limitation and reduction commitments under Article 3, as determined by the Conference of the Parties serving as the meeting of the Parties to this Protocol.

4. The Conference of the Parties serving as the meeting of the Parties to this Protocol shall, at its [X] session, elaborate modalities and procedures with the objective of ensuring transparency, efficiency and accountability in the preparation, submission, review and approval of proposals for inscribing emissions thresholds and monitoring, reporting and verification of emissions and accounting of units, taking into account the ultimate objective of the Convention, the environmental integrity of the Protocol.

Insert new Article [Y] – Additional New Market Mechanism

1. The Parties not included in Annex I may propose, on a voluntary basis, [targets] in respect of broad segments of the economy with a view to reducing their emissions in those segments significantly from business as usual.

2. The Conference of the Parties serving as the meeting of the Parties to this Protocol shall at its [X] session elaborate modalities and procedures for the additional new market mechanism and shall, as a minimum, ensure that [targets] deviate significantly from business as usual emissions and be established in a conservative manner, taking into account the ultimate objective of the Convention, the environmental integrity of the Protocol.

3. A Party [not included in Annex I] may also issue [units] representing units issued or recognized under mandatory emissions trading systems established by that Party. The Conference of the Parties serving as the meeting of the Parties to this Protocol shall, at its [x] session, elaborate modalities and procedures for this purpose, and shall, at a minimum, ensure that environmental integrity and accuracy is ensured through monitoring, reporting and verification of emissions and accounting for units, taking into account the ultimate objective of the Convention, the environmental integrity of the Protocol.

Replace Article 17

1. The Conference of the Parties serving as the meeting of the Parties to this Protocol at its [X] session shall define relevant principles, modalities, rules and guidelines, in particular for verification, reporting and accountability for emissions trading.

2. Parties included in Annex B may participate in emissions trading for the purposes of fulfilling their commitments under Article 3, subject to paragraph 4 and in accordance with eligibility requirements as established in paragraph 2 of the Annex to Decision 11/CMP.1.

3. The Parties not included in Annex B, that meet the requirements, mutatis mutandis, set out in paragraph 2 of the Annex to Decision 11/CMP.1, with [targets] established in accordance with [Article Y], may participate in emissions trading to fulfill those [targets], subject to paragraph 5.

4. Any trading pursuant to paragraph 2 shall be supplemental to domestic actions for the purpose of meeting quantified emission limitation and reduction commitments under Article 3.

5. Any trading pursuant to paragraph 3 shall be supplemental to domestic actions for the purpose of meeting [targets] under [Article Y].

Paper no. 3: Brazil

B. Article 3, paragraph 1

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 in accordance with the provisions of this Article, plus their high-trend adjustment amounts if any, with a view to reducing their overall emission of such gases by at least [40] per cent below 1990 levels in the commitment period [2013 to 2017].

Article 3, paragraph 1 bis

High-trend adjustment amounts for each Party included in Annex I whose assigned amounts are equal to their aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases listed in Annex A in its most recently reviewed inventory shall be the difference between the percentage inscribed for it in Annex B of its aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases listed in Annex A in 1990 multiplied by five and its assigned amounts.

Or alternatively:

High-trend adjustment amounts for each Party included in Annex I whose assigned amounts are equal to their aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases listed in Annex A in its most recently reviewed inventory, multiplied by five, in accordance with paragraph 7 of Article 3 below, shall be the excess of the percentage inscribed for it in Annex B of its aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases listed in Annex A in 1990 multiplied by five in regard to its assigned amounts.

Article 3, paragraph 7

In the second quantified emission limitation and reduction commitment period, from 2013 to 2017, the assigned amount for each Party included in Annex I 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 in 1990 multiplied by five or its aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases listed in Annex A in its most recently reviewed inventory multiplied by five, whichever is lower.
