UNITED NATIONS

Framework Convention on Climate Change

UNFCCC

ADVANCE VERSION

SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE
Twenty-second session
Bonn, 19–27 May 2005

Item 5 (d) of the provisional agenda
Methodological issues
Registry systems under the Kyoto Protocol

Report on the intersessional consultations on registry systems

Note by the secretariat

Summary

The Conference of the Parties (COP), by its decision 16/CP.10, requested the Chair of the Subsidiary Body for Scientific and Technological Advice (SBSTA), in accordance with decision 19/CP.7, to convene consultations, prior to the twenty-second session of the SBSTA, on the checks to be performed by the international transaction log (ITL) and their conformity with relevant decisions of the COP.

This report on the intersessional consultations, held on 13 and 14 May 2005 in Bonn, Germany, gives information on discussions which took place during the consultations, in particular relating to the role of the ITL, the checks it is to perform in verifying the validity of registry transactions, the implementation of the ITL, and the cooperation among registry system administrators to be facilitated by the ITL administrator in accordance with decision 16/CP.10.

CONTENTS

I. Introduction

A. Mandate

1.   The Conference of the Parties (COP), by its decisions 19/CP.7 and 24/CP.8, requested the Chair of the Subsidiary Body for Scientific and Technological Advice (SBSTA), with the assistance of the secretariat, to convene consultations with Parties and experts on registry systems (national registries, the clean development mechanism (CDM) registry and the international transaction log (ITL)).

2.   The COP, by its decision 16/CP.10, requested the Chair of the SBSTA, in accordance with decision 19/CP.7, to convene consultations prior to the twenty-second session of the SBSTA, on the checks to be performed by the ITL and their conformity with relevant decisions of the COP. It requested that the consultations be with Parties included in Annex I to the Convention (Annex I Parties) and Parties not included in Annex I to the Convention (non-Annex I Parties) and that the results be reported to the SBSTA at its twenty-second session.

B. Scope of the note

3.   This report provides information on the intersessional consultations on registry systems convened by the Chair of the SBSTA on 13 and 14 May 2005 in Bonn, Germany.

4.   Information on the checks to be performed by the ITL and their conformity with relevant decisions of the COP is contained in document FCCC/SBSTA/2005/INF.3.

II. Proceedings of the consultations

A. Background

5.   The intersessional consultations on registry systems were attended by 64 participants from 25 Annex I Parties, 11 non-Annex I Parties and various organizations. One member and one alternate member of the CDM Executive Board and four representatives of non-governmental organizations also participated in the consultations.

6.   The consultations were the sixth in a series of consultations on this issue. At the request of the Chair of the SBSTA, Mr. Murray Ward (New Zealand) continued to chair the consultations.

7.   The discussions focused primarily on the checks to be performed by the ITL and their conformity with relevant COP decisions. These discussions were facilitated by presentations by the secretariat, based on document FCCC/SBSTA/2005/INF.3, setting out the role of the ITL within the processes established under the Kyoto Protocol to monitor whether Annex I Parties, that also are Parties to the Kyoto Protocol with commitments inscribed in Annex B to the Kyoto Protocol (Annex B Parties), are in compliance with their commitments. These presentations outlined, inter alia, detailed 'storylines' in which scenarios of key registry transactions were described. The discussions also covered the progress in implementing the ITL and issues relating to cooperation among administrators of registry systems.

B. Checks to be performed by the international transaction log

8.   The secretariat presented information on the types of registry systems and the transactions that may be undertaken. This included information on the overall structure of the network of registry systems, the functions and processes of the ITL, and the need for technical harmonization across this network provided through the data exchange standards completed in accordance with decision 24/CP.8.

9.   The information from the secretariat was presented in the context of other processes under the Kyoto Protocol, in particular the reporting of information under Article 7, the review of that information under Article 8, procedures relating to the Compliance Committee under Article 18, and modalities and procedures for emissions trading under Article 17 and for joint implementation (JI) and CDM projects under Articles 6 and 12.

10.   Three phases were distinguished in relation to registry transactions:

   (a)   **Processes before registry system functions**, in which reference information is determined as the basis for registry transactions. For example, quantitative limits on the issuance of assigned amount units (AAUs) and removal units (RMUs) are to be determined through the processes of reporting, review and compliance for each Annex B Party and similar limits for the issuance of certified emission reductions (CERs) are determined by procedures for the CDM

   (b)   **Registry system functions**, in which transactions are proposed by registries, checked by the ITL and completed by amending database records in relevant registries and the ITL

   (c)   **Processes after registry system functions**, in which the results of transactions are reflected in the later cycles of the reporting of assigned amount information by Annex B Parties, are subject to review and compliance procedures, and are recorded as official information by the secretariat in the compilation and accounting database.

11.   The distinction of these three phases provided clarity concerning the manner in which transactions are undertaken by registries and the role played by registry systems, including the checks to be performed by the ITL, in the wider monitoring and assessment processes of the Kyoto Protocol.

12.   With regard to the ITL checks themselves, the secretariat provided information on the purposes of the checks and the information to be provided to registries in the event of discrepancies from the rules of the Kyoto Protocol being identified. The processes of comparing and reconciling the records of registries and the ITL were also described. Such reconciliation provides an opportunity to correct registry records, where appropriate, to ensure that they are consistent with the rules of the Kyoto Protocol. Information was also provided on the notifications to be sent by the ITL to registries in order to inform them of actions they are required to undertake and the timeframe in which this is to occur.

13.   Following a general discussion facilitated by the presentations described above, specific storylines of key registry transaction scenarios were presented and discussed. These scenarios included the issuance of AAUs, the cancellation of units for net emissions from land use, land-use change and forestry (LULUCF) activities under Article 3.3 and 3.4, and external transfers of units from one registry to another. This discussion took place on the basis of the diagrams contained in document FCCC/SBSTA/2005/INF.3, which the participants considered to be helpful in clarifying the manner in which transactions are to occur and the measures put in place to ensure their appropriate implementation.

14.   The description of the key transaction scenarios was then extended to describe how other transaction types are to be implemented, such that the discussion was able to cover all the transaction and unit types contained in the relevant provisions of COP decisions and the data exchange standards.

15.   The detailed discussions of the transaction scenarios provided an opportunity for participants to seek further clarification of the details of registry functions and other relevant processes under the Kyoto Protocol. Participants considered that these discussions enhanced understanding on how registry systems are to implement the accounting of assigned amounts and how the ITL is to ensure that this occurs in a manner consistent with the modalities, rules and limits established under the Kyoto Protocol.

16.   Practical demonstrations of registry systems were provided. Ireland and the Netherlands demonstrated the functions of the registries they are currently operating under the European Union (EU) emissions trading scheme and the European Commission demonstrated the Community Independent Transaction Log (CITL). These systems are modelled on national registries and the ITL under the Kyoto Protocol and were demonstrated by logging in to the system web sites on the Internet.

17.   Participants in the consultations were able to see these registries proposing transactions and having these transactions checked by the CITL. The transactions demonstrated included the issuance of EU allowances and the external transfer of allowances from one registry to the other. These transactions were checked and completed in a matter of seconds. This demonstration provided confidence that the registry systems being established under the Kyoto Protocol are being implemented in a credible manner.

C. Implementation of the international transaction log

18.   The secretariat presented information on the implementation of the ITL and the expected timeline for its further development. The technical design of the ITL has been undertaken in parallel with that of the data exchange standards and in cooperation with experts involved in the development of national registries. The technical specifications of the ITL include the definition of the database structure, logical flows for transaction, reconciliation and notification processes, a communications hub for communications with all other registry systems, detailed coding specifications, detailed methods for conducting the ITL checks, and links to other databases within the secretariat in order to receive reference data for use in checking proposed transactions.

19.   The next stage of this development work is to be the selection of a contractor to undertake further development and technical operational activities in relation to the ITL. This is to occur on the basis of modifying and adding to the program code developed for the CITL under the EU emissions trading scheme. This has been made possible, under an arrangement between the secretariat and the European Commission, because the CITL is based on the original design of the ITL and the data exchange standards. This approach is expected to improve technical data compatibility between the two systems and substantially reduce the costs associated with the development of the ITL.

20.   The assessment undertaken so far by the secretariat indicates that the CITL provides a robust basis for the further development of the ITL under the Kyoto Protocol. It is expected that about half of the required ITL functions are contained in the program code for the CITL. It will nevertheless be necessary to remove, modify and add major components of code.

21.   While the deployment of the ITL had been planned for 2005, contributions to the UNFCCC Trust Fund for Supplementary Activities in relation to this work had until recently not been sufficient to allow this next stage of development to proceed in full. However, additional funds received just before the consultations now allow the secretariat to proceed with the selection of a contractor immediately after the twenty-second session of the SBSTA.

22.   The following phases of the ITL development work are foreseen at this stage:

   (a)   Pre-development activities, including review of the ITL technical design

   (b)   Development of the ITL database, program code and administrator interface, including the unit testing and refinement of the component parts of the ITL

   (c)   Integration and regression testing of the full ITL system, on the basis of the hardware environment and communications infrastructure established

   (d)   Performance testing of the ITL to ensure that it may manage the expected load

     (e)   Full deployment of the ITL system in test, production and initialization environments

     (f)   Initialization of the communications of registries and the CITL with the ITL.

23.   It is expected that the secretariat will be in a position to fully deploy the ITL in the third quarter of 2006. This timeline is based upon the availability of resources and current expectations regarding the suitability of the CITL code for application in the ITL. However, more precise timing estimates will only be possible when a contractor has been selected for the development and technical operation of the ITL.

24.   Once the ITL has been deployed, the process of initializing the communications of registries and the CITL with the ITL may begin. This requires registries and the CITL to provide plans and other documentation for assessment by the ITL administrator and to test the full operation of their systems with the ITL, including in relation to all transaction and reconciliation processes. Parties indicated that they may require up to six months to complete the initialization process and make their systems fully operational in accordance with decisions 19/CP.7 and 24/CP.8.

25.   The discussion provided an opportunity for representatives of Parties to describe lessons learned from their own experiences in developing registries, particularly within the EU, and the CITL. These participants stressed the need for detailed scheduling of the testing and initialization processes and the need to make sufficient staff resources available in the ITL administrator to facilitate these processes by providing sufficient support to administrators.

D. Cooperation among administrators of registry systems

26.   The secretariat gave information on a cooperative forum of registry system administrators to be convened by the administrator of the ITL on the basis of decision 16/CP.10. This included information on the scope of activities and the role of the ITL administrator in facilitating the cooperation.

27.   In particular, the ITL administrator is to develop, in cooperation with other administrators, common operational procedures for implementation in all registry systems. In accordance with decision 16/CP.10, these procedures are to include the reconciliation of data between the ITL and registries, the management of change in the data exchange standards, the ongoing testing and assessment of registry systems, and the maintenance of electronic communications with the ITL.

28.   Modalities for the cooperation were also discussed. It was noted that the forum is to provide a means of cooperation to address technical and management issues in relation to registry systems. All organizations designated by Annex B Parties as administrators of registries or supplementary transaction logs are to participate and the cooperative forum would meet at least twice a year. Appropriate experts from non-Annex I Parties are also to be involved. Working groups, which may meet more frequently, may be established in order to provide information and recommendations to the forum. It will be necessary to clarify the manner of work of the forum at an early stage.

29.   Participants noted that it will be important to ensure that adequate and predictable funding is provided in relation to the cooperation among administrators, possibly through the implementation of fees to be paid by administrators of national registries and supplementary transaction logs connected to the ITL. This issue of funding is addressed in the proposed program budget for the biennium 2006–2007 to be considered by the Subsidiary Body for Implementation at its twenty-second session.

30.   It was suggested that the first meeting of the forum should take place in the second half of 2005, probably in September. The precise timing will need to be agreed in the context of the development of the ITL and the availability of draft procedures to be considered by the forum.

- - - - -