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**Ad Hoc Working Group on Further Commitments
for Annex I Parties under the Kyoto Protocol****Report of the Ad Hoc Working Group on Further
Commitments for Annex I Parties under the Kyoto Protocol
on its thirteenth session, held in Bonn from 2 to 6 August
2010**

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I. Opening of the session

(Agenda item 1)

1. The thirteenth session of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP) was held at the Maritim Hotel in Bonn, Germany, from 2 to 6 August 2010.
2. The Chair of the AWG-KP, Mr. John Ashe (Antigua and Barbuda), opened the session and welcomed all Parties and observers. He also welcomed Mr. Adrian Macey (New Zealand) as Vice-Chair of the AWG-KP and Mr. Miroslav Spasojevic (Serbia) as Rapporteur.
3. The Chair further welcomed Ms. Christiana Figueres, Executive Secretary of the UNFCCC, and congratulated her on her recent appointment to this position. At the invitation of the Chair, Ms. Figueres addressed the Parties.
4. Ambassador Luis Alfonso de Alba (Mexico), on behalf of the incoming President of the sixteenth session of the Conference of the Parties and the sixth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), updated the AWG-KP on the informal consultation on climate change mitigation, which took place in Mexico City, Mexico, on 22 and 23 July 2010.
5. Finally, the Chair reminded delegates that the CMP, by its decision 1/CMP.5, requested the AWG-KP to deliver the results of its work pursuant to decision 1/CMP.1 for adoption by the CMP at its sixth session. The Chair further recalled that, as previously agreed, the thirteenth session of the AWG-KP would be devoted to further advancing its substantive work, in particular on the scale of emission reductions to be achieved by Annex I Parties in aggregate and on the contribution of Annex I Parties to this scale, as well as work on other issues identified¹ at the resumed sixth session of the AWG-KP.

II. Organizational matters

(Agenda item 2)

A. Adoption of the agenda

(Agenda item 2 (a))

6. At its 1st meeting, on 2 August, the AWG-KP considered a note by the Executive Secretary containing the provisional agenda and annotations (FCCC/KP/AWG/2010/8).
7. At the same meeting, the agenda was adopted as follows:
 1. Opening of the session.
 2. Organizational matters:
 - (a) Adoption of the agenda;
 - (b) Organization of the work of the session.
 3. Consideration of further commitments for Annex I Parties under the Kyoto Protocol.
 4. Other matters.
 5. Report on the session.

¹ FCCC/KP/AWG/2008/8, paragraph 49 (c).

B. Organization of the work of the session

(Agenda item 2 (b))

8. The AWG-KP considered this sub-item at its 1st meeting, on 2 August, and agreed with the Chair's proposal for the organization of the work of the thirteenth session, as outlined in the scenario note.² The AWG-KP also agreed with the Chair's proposal to establish an additional contact group on the consideration of information on potential environmental, economic and social consequences, including spillover effects, of tools, policies, measures and methodologies available to Annex I Parties.

9. At the same meeting, statements were made by representatives of 19 Parties, including one speaking on behalf of the Group of 77 and China, one on behalf of the European Union and its members States, one on behalf of the African Group, one on behalf of the Umbrella Group, one on behalf of the Alliance of Small Island States (AOSIS), one on behalf of the least developed countries (LDCs), one on behalf of the Environmental Integrity Group (EIG), one on behalf of the Bolivarian Alliance for the Peoples of Our America and one on behalf of the Group of Mountainous Landlocked Developing Countries.

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

(Agenda item 3)

1. Proceedings

10. The AWG-KP considered this item at its 1st and 2nd meetings, on 2 August and 6 August, respectively.

11. At its 1st meeting, the AWG-KP had before it documents FCCC/KP/AWG/2010/6 and Add.1-5, FCCC/KP/AWG/2010/7, FCCC/KP/AWG/2010/10, FCCC/KP/AWG/2010/MISC.2, FCCC/KP/AWG/2010/MISC.3, FCCC/KP/AWG/2010/MISC.4, FCCC/KP/AWG/2010/MISC.5, FCCC/KP/AWG/2010/INF.2 and FCCC/TP/2010/3.

12. Also at the 1st meeting, the AWG-KP agreed to establish four contact groups to prepare draft conclusions on agenda item 3, addressing:

(a) The scale of emission reductions to be achieved by Annex I Parties in aggregate, as well as the contribution of Annex I Parties, individually or jointly, to this scale, to be co-chaired by Mr. Leon Charles (Grenada) and Mr. Jürgen Lefevere (European Union);

(b) Other issues identified in paragraph 49 (c) of the report of the AWG-KP on its resumed sixth session,³ including the matters relating to the treatment of land use, land-use change and forestry (LULUCF), emissions trading and the project-based mechanisms, and other methodological issues, to be chaired by the Vice-Chair of the AWG-KP, Mr. Macey;

(c) Legal matters, to be co-chaired by Mr. Gerhard Loibl (Austria) and Mr. Daniel Ortega (Ecuador), who had been requested by the AWG-KP to replace Ms. Andrea Albán Durán (Colombia) at the thirteenth session;

² FCCC/KP/AWG/2010/9.

³ FCCC/KP/AWG/2008/8.

(d) The consideration of information on potential environmental, economic and social consequences, including spillover effects, of tools, policies, measures and methodologies available to Annex I Parties, to be co-chaired by Mr. Andrew Ure (Australia) and Mr. Eduardo Calvo (Peru).

13. The Vice-Chair of the AWG-KP was assisted by Mr. Marcelo Rocha (Brazil) and Mr. Peter Iversen (Denmark) in conducting informal consultations on the matters relating to the treatment of LULUCF.

14. At its 2nd meeting, the AWG-KP had before it additional documents issued during the session, namely FCCC/KP/AWG/2010/INF.2/Rev.1, FCCC/KP/AWG/2010/MISC.5/Add.1, FCCC/KP/AWG/2010/CRP.1 and FCCC/KP/AWG/2010/CRP.2.

15. Statements were made on behalf of the business and industry non-governmental organizations (NGOs), the indigenous peoples organizations, local government and municipal authorities, the youth NGOs and the women and gender NGOs, and by two representatives of the environmental NGOs.

16. At the same meeting, the Vice-Chair reported on the outcomes of the pre-session workshop on forest management accounting. At his request, Mr. Charles reported on the in-session workshop on the scale of emission reductions to be achieved by Annex I Parties in aggregate and the contribution of Annex I Parties, individually or jointly, to this scale. The Chair informed the AWG-KP that the summaries of both workshops would be annexed to this report.

17. The co-chairs of the contact groups and the co-facilitators of the informal consultations, referred to in paragraphs 12 and 13 above, provided their oral reports to the AWG-KP.

18. Also at the 2nd meeting, the Chair presented "Draft proposal by the Chair",⁴ which he prepared under his own responsibility.

19. Statements were made by representatives of three Parties.

2. Draft proposal by the Chair

20. "Draft proposal by the Chair", made available as document FCCC/KP/AWG/2010/CRP.2, was prepared by the Chair of the AWG-KP on the basis of the currently available "Documentation to facilitate negotiations among Parties",⁵ and on ideas and proposals received through submissions from Parties, as well as the results of work carried out at the thirteenth session.

21. The Chair presented his proposed text referred to in paragraph 20 at the 2nd meeting of the AWG-KP and invited Parties to submit their views on his text to the secretariat by 31 August 2010. The submissions from Parties will be compiled into a miscellaneous document and will also be made available on the UNFCCC website.⁶

22. The Chair informed Parties that a scenario note will be prepared for AWG-KP 14, to held in Tianjin, China, from 4 to 9 October 2010. The scenario note prepared for that session will contain proposals on the scheduling of issues, including how this document could be considered at AWG-KP 14.

⁴ FCCC/KP/AWG/2010/CRP.2.

⁵ FCCC/KP/AWG/2010/6 and Add.1-5.

⁶ <http://unfccc.int/kyoto_protocol/items/4752.php>.

IV. Other matters

(Agenda item 4)

23. At its 1st meeting, the AWG-KP considered the issue of “Damage caused to United Nations property and breach of code of conduct at the June sessions”.

24. The Executive Secretary of the UNFCCC reported on the results of the investigation launched by the secretariat on this matter and the steps that had been taken. Twenty-four statements were made by representatives of 24 Parties, including one speaking on behalf of the Group of 77 and China, one on behalf of the European Union and its members States, one on behalf of the Umbrella Group, one on behalf of AOSIS, one on behalf of the LDCs and one on behalf of EIG. Statements of apology were made by Mr. Jeremy Hobbs, Executive Director of Oxfam International, and Mrs. Yolanda Kakabadse, President of WWF. A statement was made by Saudi Arabia. Following this statement the AWG-KP agreed to consider the issue closed.

25. The Chair recalled that at AWG-KP 12, as a joint effort with the Chair of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA), he had invited Ambassador Kaire Munionganda Mbuende (Namibia) to facilitate informal consultations on a proposal made by Parties to address the issues of common concern to the AWG-KP and the AWG-LCA. The Chair took this opportunity to reaffirm his intention to continue these consultations at AWG-KP 13.

26. At the 2nd meeting of the AWG-KP, the Chair informed Parties that, in the light of the unavailability of Ambassador Kaire Munionganda Mbuende, Ambassador Shin Yeon-Sung (Republic of Korea) had agreed to continue carrying out consultations on this matter at future sessions of the AWG-KP.

V. Report on the session

(Agenda item 5)

27. At its 2nd meeting, on 6 August, the AWG-KP considered the draft report on its thirteenth session (FCCC/KP/AWG/2010/L.5). At the same meeting, on a proposal by the Chair, the AWG-KP authorized the Rapporteur to complete the report on the session, under the guidance of the Chair and with the assistance of the secretariat.

VI. Closure of the session

28. At the 2nd and final meeting, the Chair thanked the Vice-Chair and the Rapporteur for their work during the session. He also thanked delegates for their commitment and dedication.

29. Statements were made by 17 Parties, including one speaking on behalf of the Group of 77 and China, one on behalf of the European Union and its members States, one on behalf of the Umbrella Group, one on behalf of the African Group, one on behalf of AOSIS, one on behalf of the LDCs, one on behalf of the countries of the Central American Integration System, one on behalf of the countries of the Bolivarian Alliance for the Peoples of Our America, one on behalf of EIG and one on behalf of the Group of Mountainous Landlocked Developing Countries.

30. The Chair then declared the thirteenth session of the AWG-KP closed.

Annex I

Pre-sessional workshop on forest management accounting

Summary by the chair of the workshop

I. Introduction

1. The Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP), at its twelfth session, requested¹ the secretariat to organize, before its thirteenth session, subject to the availability of supplementary resources, a pre-sessional workshop on forest management accounting, including any new available information, taking into account progress made during its twelfth session regarding the use of reference levels.
2. The workshop was held at the Maritim Hotel, Bonn, Germany, on Friday, 30 July 2010, and was chaired by Mr. Adrian Macey (New Zealand), Vice-Chair of the AWG-KP. The presentations and discussions were facilitated by Mr. Peter Iversen (Denmark) and Mr. Brian Mantlana (South Africa).
3. The workshop was divided into three sessions. The first and third sessions of the workshop were open to all, including Parties and observer organizations. The second session was open to Parties only. More than 100 Parties and around 15 observer organizations attended. The Governments of New Zealand and Sweden contributed additional financial resources for the organization of the workshop.
4. The following Parties and group of Parties made presentations: the European Union (EU) on behalf of its 27 member States, Japan, Switzerland and Tuvalu. The workshop also included a presentation by Climate Action Network (CAN) International. In addition, statements were made by Climate Justice Now! and the Ecosystems Climate Alliance.
5. Question and answer sessions were held after presentations. The presentations were followed by a general discussion. In closing the workshop, the chair provided concluding remarks.

II. Summary of the workshop

6. Overall, Parties engaged in a discussion that led to a better understanding of the implications of the options that are under consideration by Parties for forest management accounting. This discussion helped to enhance understanding of the possible contribution of land use, land-use change and forestry (LULUCF) to pledges.
7. The need to ensure the environmental integrity of the Kyoto Protocol when defining the rules for LULUCF, in particular in accounting for forest management, since this activity stands to make the greatest contribution within the sector, was stressed during the discussion. This remains a key concern and was underlined by Parties as being of the utmost importance.
8. Emphasis was placed on environmental integrity, transparency, accountability and the need for confidence in the accuracy of data. Participants also recognized the importance of seeing forest management accounting in the broader context of the economy-wide

¹ FCCC/KP/AWG/2010/7, paragraph 28 (d).

commitments of Annex I Parties and of ensuring that options for forest management accounting do not compromise the integrity of these commitments.

A. Summary of the presentations

9. The EU presented revised reference levels for most EU member States, as a result of updates to the methodologies used in national greenhouse gas inventories and revisions of information since December 2009. This revision resulted in a small change to the aggregated number for the EU and its member States.

10. Japan emphasized that the use of a narrow approach for forest management accounting is a good way to account for direct human-induced emissions and sinks, and it restated the data that it had provided the previous year.

11. Switzerland noted that its main goal is to maintain its stocks, given its vulnerability to the impacts of climate change and the importance of forests to adaptation.

12. Tuvalu presented an illustration of the historical trends in emissions and removals based on the data reported by Parties to the secretariat and highlighted the inconsistencies with the reference levels proposed by Parties.

13. CAN International suggested that, for the time being, a historical average (for the period 1990–2008) would provide the best baseline to reflect “what the atmosphere sees”. Its assessment suggests that all other alternatives could create an accounting gap, owing to the uncertainty of the assumptions included in the projections of emissions and sinks that Parties are suggesting be used.

B. Summary of the discussion

On different options for forest management accounting

14. In relation to reference levels based on projections versus other accounting options, such as using different historical periods (particularly the period 1990 to 2008 and the first commitment period) or even a particular year:

(a) It was expressed that, compared with projected reference levels, the use of a historical period as a baseline reference could be more reliable, given that there is no assurance that assumptions included in projections will be realized in the future. It was also expressed that longer reference periods would be better, since selecting a single year may be less representative;

(b) It was emphasized that reference levels based on projections would better reflect national circumstances and could provide necessary incentives for the sector to contribute to mitigation while promoting sustainability.

15. Other options were mentioned, including the use of discount factors, but were not addressed in depth.

On issues related to the option of reference levels

16. There was a widespread willingness to explore aspects of the reference level approach, recognizing that, whether or not reference levels are adopted, there are issues that need further examination and clarification.

17. Assumptions made by Parties for their reference levels, particularly on how policies are included in their construction (e.g. in relation to harvest rates), seemed to be an issue of concern.

18. It was also expressed that establishing a robust and transparent review process for reference levels could be a good way of addressing some of the concerns and may merit further consideration.

19. It became clear that, for reference levels to gain acceptance as an accounting option, a balance between the aim to address national circumstances and the need for transparency, comparability and consistency is key.

On other matters related to forest management accounting

20. How to address extreme events (force majeure) was a recurrent issue raised by Parties, particularly how it can be addressed, the magnitude of the threshold and ensuring consistency in the accounting.

21. The use of a cap for forest management was also discussed in the context of facilitating the discussion on reference levels, including how it could be constructed in a fair way.

Implications for the discussion on numbers

22. In aggregate, the numbers have not changed substantially, but the assumptions behind them have become clearer and options for addressing remaining gaps are also emerging.

23. Therefore, assuming a gross-net approach for forest management accounting, the maximum potential annual contribution of the LULUCF sector to aggregate emission reductions by Annex I Parties of around 1.0 gigatonne of carbon dioxide equivalent,² corresponding to approximately 8 per cent of the aggregate emissions of Annex I Parties in 1990, did not change as a result of the revised figures. This still depends on the rules and approaches adopted for LULUCF.

24. The revision to the reference levels proposed by the European Union and its member States presented at the workshop implies a minor change to their aggregate number, but the change might be more significant for individual countries.

25. At the closing of the workshop, some Parties took the floor to emphasize the importance of LULUCF in the context of target-setting.

² Noted in document FCCC/KP/AWG/2010/INF.1, paragraph 22.

Annex II

In-session workshop on the scale of emission reductions to be achieved by Annex I Parties in aggregate and the contribution of Annex I Parties, individually or jointly, to this scale

Summary by the chair of the workshop

I. Introduction

1. The Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP), at its twelfth session, requested the secretariat to organize, under the guidance of the Chair of the AWG-KP and taking into consideration the views submitted by Parties on the topics of the workshop and the organizations/experts to be invited, as well as discussions at the twelfth session of the AWG-KP, an in-session workshop at its thirteenth session on the scale of emission reductions to be achieved by Annex I Parties in aggregate and the contribution of Annex I Parties, individually or jointly, to this scale.¹

2. The objective of the workshop was to allow for a focused technical discussion on the quantitative implications of the proposals and issues identified by Parties in their submissions, and for further exploring a possible enhanced scale of emission reductions to be achieved by Annex I Parties, emphasizing that consensus among Parties on their overall level of ambition is deemed important.

3. At its twelfth session, the AWG-KP invited Parties to submit proposals to address the implications of the issues identified in the work programme of the AWG-KP² regarding the scale of emission reductions to be achieved by Annex I Parties in aggregate and for the contribution of Annex I Parties, individually or jointly, to this scale.³

4. The workshop was held in Bonn, Germany, on 2 and 3 August 2010, during the thirteenth session of the AWG-KP, and was chaired by Mr. Adrian Macey (New Zealand), Vice-Chair of the AWG-KP. The presentation and discussions were facilitated by Mr. Leon Charles (Grenada) and Mr. Jürgen Lefevere (European Union).

5. The agenda and invitations to participants were prepared by the Chair and the Vice-Chair of the AWG-KP, taking into consideration submissions from Parties containing their views on the topics to be covered and the organizations/experts to be invited to the workshop,⁴ and the need to ensure a balanced geographical participation of experts and organizations. The workshop was open to all Parties and observers.

6. The following Parties or groups of Parties made presentations: Japan, India, the European Union, the Russian Federation, the Alliance of Small Island States, Switzerland and the Plurinational State of Bolivia. The workshop also involved input from international experts and research institutes, who presented the results of relevant technical analyses.⁵ The Vice-Chair of the AWG-KP presented a summary of the main outcomes of the pre-

¹ Document FCCC/KP/AWG/2010/7, paragraph 28 (a).

² Document FCCC/KP/AWG/2008/8, paragraph 49 (c).

³ Document FCCC/KP/AWG/2010/7, paragraph 29 (b).

⁴ These submissions are compiled in document FCCC/KP/AWG/2010/MISC.2.

⁵ Mr. William Hare from Climate Analytics, Mr. Sivan Kartha, nominated by the South Centre and affiliated to the Stockholm Environmental Institute, Mr. Robertus Dellink from the Organisation for Economic Co-operation and Development, Ms. Olga Gassan-Zade from Point Carbon and Ms. Lim Li Lin from the Third World Network.

sessional workshop on forest management accounting, held in Bonn, Germany, on 30 July 2010. The Chair of the Executive Board of the clean development mechanism (CDM), Mr. Clifford Mahlung (Jamaica), made a presentation on the impact of market-based mechanisms on emission reductions by Annex I Parties in aggregate.

7. Question and answer sessions were held after groups of presentations by the Parties, and by the experts and organizations. In closing the workshop, the chair provided concluding remarks.

II. Summary of presentations and discussions

8. The presentations and discussion during the workshop covered a number of issues relating to the scale of emission reductions to be achieved by Annex I Parties in aggregate and the contribution of Annex I Parties, individually or jointly, to this scale. This summary highlights the main issues raised in the presentations and the discussion among participants.

A. How Parties assess the current level of pledges and the scale of emission reductions by Annex I Parties in aggregate

Goals for limiting the global mean temperature increase

9. The goal of limiting the global mean surface temperature increase to below 2 °C compared with pre-industrial levels, referred to hereinafter as the 2 °C goal, was often referred to by participants in the context of the discussion of the pledges of Annex I Parties. Some participants referred to the link between this goal and long-term global emissions pathways, the peaking of global emissions before 2020 and the range of emission reductions by Annex I Parties of between 25 and 40 per cent below 1990 levels by 2020 as referred to in the Fourth Assessment Report of the Intergovernmental Panel on Climate Change in the context of the scenarios with low stabilization levels of greenhouse gas concentration in the atmosphere. It was noted that this range was confirmed in the recent peer-reviewed scientific literature. A view was also expressed that there were multiple pathways to the 2 °C goal.

10. Some participants expressed views that global mean surface temperature increase should be limited to 1.5 °C or 1 °C compared with pre-industrial levels, and that the aggregate level of ambition of Annex I Parties should be increased accordingly above the 25–40 per cent level, for example to 50 per cent.

Cumulative emissions and carbon budget

11. Some participants considered that the effective stabilization of global temperatures depended on cumulative global emissions and this link was well established by the science. The allocation of the carbon budget and related atmospheric space to achieve the 2 °C goal should be achieved following the principles of equity and historical responsibility.

12. These participants noted that, in applying the equity principle, different indicators could be used, such as equal per capita cumulative share of emissions. In applying the principle of historical responsibility, consideration needed to be given to the cumulative emissions from some point in the past. Due consideration also needed to be given to the fact that the global carbon budget is limited, that developed countries have used a large share of this budget and that in the longer term this could create limitations for the further development of developing and, in particular, least developed countries. Moreover, according to some participants, if the concept of a carbon budget were applied, developed countries may have already exhausted their share of the global carbon budget. Other participants noted that there could be different approaches to historical responsibility,

which were not solely linked to levels of Annex I emission reductions, but in the more encompassing principle of common but differentiated responsibilities and respective capabilities of the Convention.

Scale of emission reductions and comparability of pledges

13. Several participants addressed the effect of the current pledges by Annex I Parties that are also Parties to the Kyoto Protocol. These pledges were expected to result in emission reductions of between 17 and 25 per cent below 1990 levels by 2020. If pledges by all Annex I Parties were considered, the level of emission reductions could be even lower, between 13 and 18 per cent. Some participants noted that this was not consistent with the range of 25–40 per cent and the 2 °C goal.

14. If pledges from Annex I Parties remained unchanged and if global emissions peaked later than 2020, it could still be possible to achieve the 2 °C goal; however, this would require significantly more action after 2020, at a higher cost compared with the action and pledges at an earlier stage to achieve the same goal. In addition, scenarios that had lower emission reductions than the ranges referred to in paragraph 9 above had very little probability to lead to temperature stabilization below 2 °C. It was also noted that current pledges by Annex I Parties did not create sufficient incentives for the development of new, more efficient and less carbon-intensive technologies.

15. On the comparability of pledges of Annex I Parties, several participants considered that no single set of indicators would be appropriate to fully reflect the national circumstances in the context of setting the pledges. An example was provided by the Russian Federation of how its national circumstances, including being a major producer and exporter of energy resources and having a large forestry sector, had implications for its decisions regarding its pledge.

16. While acknowledging that the scale of emission reductions in accordance with pledges may not be sufficient, some participants noted that moving to the upper range of pledges by a number of Annex I Parties could only be achieved in the context of a global effort, including from countries that are major emitters. Other participants emphasized that the two legal instruments, the Convention and the Kyoto Protocol, provided the foundation for relevant discussions on mitigation actions by respective groups of countries.

B. What are the quantitative implications of the use of land use, land-use change and forestry, emissions trading and the project-based mechanisms on the emission reductions by Annex I Parties in aggregate; how to ensure that efforts and achievements to date and national circumstances are taken into consideration and what could be the implications for emission reductions by Annex I Parties in aggregate

17. A number of issues with potential implications for effective emission reductions by Annex I Parties for the second commitment period were discussed during the workshop, including the carry-over of units from the first to the second commitment period (carry-over of units) and the surplus of emissions in the pledges for the second commitment period (surplus units), and the use of land use, land-use change and forestry (LULUCF), emissions trading and the project-based mechanisms. Some participants argued that, given their quantitative implications, rules for the treatment for these issues, which are currently under negotiation, should be agreed before finalizing the consideration of emission reductions by Annex I Parties. Others argued that the emission reductions should be based on scientific requirements and the rules should be adjusted accordingly.

Impacts from LULUCF

18. Most recent data and options for treatment of emissions and removals from LULUCF were considered by Parties at the workshop on LULUCF organized by the secretariat under the guidance of the Chair of the AWG-KP held on 30 July 2010 in Bonn, Germany. The Vice-Chair of the AWG-KP reported that the most recent estimates of the quantitative implications of the use of LULUCF had not changed substantially compared with previous estimates. The maximum potential contribution of the LULUCF sector to the aggregate emission reductions of Annex I Parties remained around a maximum of 1 gigatonne of carbon dioxide annually, corresponding to around 8 per cent of the total emissions of Annex I Parties in 1990.

19. The Vice-Chair reported that the LULUCF workshop had helped to enhance understanding of the possible contribution of LULUCF to pledges, and of options for forest management and the implications thereof. Different rules for treatment of LULUCF would lead to different outcomes for individual Parties but would not change the overall maximum potential contribution of the LULUCF sector.

Impacts of the use of mechanisms

20. A number of participants addressed the use of emissions trading and the project-based mechanisms (CDM and joint implementation (JI)) under the Kyoto Protocol, which would give Annex I Parties access to more cost-effective mitigation actions and provide an opportunity to increase their level of ambition in reducing emissions. Emissions trading and JI allowed greater access to mitigation opportunities among Annex I Parties, while the CDM provided for offset credits to be added into the overall emissions budget of Annex I Parties.

21. In this context, some participants discussed the potential future volume of certified emission reductions (CERs) in a second commitment period, which according to one estimate, for the period 2013–2020, was potentially around three times higher than the 1 Gt reported by the Chair of the CDM Executive Board for the period up to 2012 based on estimates provided by the United Nations Environment Programme Risoe Centre. It was noted that the supply of CERs would be limited by project potentials and capacity in developing countries.

22. Some participants pointed out that, owing to the number of variables involved and the dependence on assumptions, it was difficult to estimate the impacts of changing the rules of emissions trading and the project-based mechanisms on the aggregate emission reductions of Annex I Parties for the second commitment period. It was apparent that some proposed changes to the mechanisms would increase the supply of units (e.g. the incorporation into the CDM of carbon dioxide capture and storage, nuclear activities and additional LULUCF activities, and the development of any new market-based mechanisms), whereas others would decrease the supply of units (e.g. discount factors in CDM and any stricter limits on supplementarity).

Impacts of carry-over of units

23. The issue of carry-over and surplus units was addressed in a number of presentations and in the discussion. It was noted that carry-over and surplus units may significantly lower the effective level of emission reductions by Annex I Parties in the second commitment period. Political choices may limit the implications of carry-over units (see para. 25 below).

24. On the other hand, the level of ambition of the pledges and the use of carry-over units may have an impact on the market, including on the carbon price, estimated by Point Carbon for the second commitment period (2016) at EUR 19/t.

Overall assessment of the impact of the use of LULUCF, carry-over and surplus units and the use of mechanisms

25. Some participants estimated that the use of LULUCF, carry-over and surplus units and the use of mechanisms may reduce the effective aggregate level of emission reductions by Annex I Parties, which, in accordance with current pledges, amounted to between 13 and 18 per cent below 1990 levels (or between 17 and 25 per cent for Annex I Parties that are also Parties to the Kyoto Protocol). This aggregate emission reduction could be reduced to 7–13 per cent if possible use of LULUCF were considered (in accordance with the preferred option for rules for LULUCF for individual Parties). This could be reduced further to 1–7 per cent if the effect from carry-over and surplus units were considered.

26. The following options to deal with the implications from carry-over and surplus units, the use of LULUCF credits and increase in the effective aggregate level of ambition of Annex I Parties were presented and discussed:

- (a) A partial or total removal of carry-over units from the first commitment period through a cap or a restriction of purposes;
- (b) The removal of surplus in pledges;
- (c) Removal or limitation of LULUCF crediting;
- (d) Introduction of a levy on transfer of units.

27. Alternatively, it was suggested that Annex I Parties could present pledges that focused on domestic effort only, or increase the level of pledges to deliver emission reductions that were consistent with the 2 °C goal.

C. How to enhance transparency of pledges for emission reductions for Annex I Parties under the Kyoto Protocol

28. Some participants noted that there were a number of uncertainties affecting the pledges, and considered that more transparency in presenting and assessing the pledges could help build confidence among Parties in their assessment of the extent to which the pledges could contribute to achieving the 2 °C goal. It was acknowledged that transparency was important in the process of negotiating the new targets for Annex I Parties as it created a solid technical basis to facilitate the political discussion. In addition, transparency could create a better understanding of challenges and opportunities that Parties faced and hence lead to more willingness to enhance the level of ambition.

29. Among the issues where more transparency was required, participants noted the following:

- (a) The quantity of units from mechanisms Annex I Parties are likely to use;
- (b) Whether rules for banking and carry-over of units will remain the same or change;
- (c) How emissions and removals from LULUCF will be treated.

30. Switzerland provided examples based on its own pledge of how the transparency of pledges could be enhanced, so as to improve understanding of their environmental impact and to facilitate comparability. These included providing quantitative and qualitative information on a common set of elements, even if this information was preliminary and subject to changes resulting from domestic legislation or international instruments.

Annex III

Documents prepared for the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol at its thirteenth session

Documents prepared for the session

FCCC/KP/AWG/2010/8	Provisional agenda and annotations. Note by the Executive Secretary
FCCC/KP/AWG/2010/9	Scenario note on the thirteenth session. Note by the Chair
FCCC/KP/AWG/2010/10	Legal considerations relating to a possible gap between the first and subsequent commitment periods. Note by the secretariat
FCCC/TP/2010/3	Issues relating to the transformation of pledges for emission reductions into quantified emission limitation and reduction objectives: methodology and examples. Technical paper
FCCC/KP/AWG/2010/MISC.2	Views on the topics to be covered and the organizations/experts to be invited to the in-session workshop on the scale of emission reductions to be achieved by Annex I Parties in aggregate and the contribution of Annex I Parties, individually or jointly, to this scale. Submissions from Parties
FCCC/KP/AWG/2010/MISC.3	Proposals to address the implications of the issues identified in the work programme of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol, as specified in paragraph 49 (c) of document FCCC/KP/AWG/2008/8, for the scale of emission reductions to be achieved by Annex I Parties in aggregate and for the contribution of Annex I Parties, individually or jointly, to this scale. Submissions from Parties
FCCC/KP/AWG/2010/MISC.4	Available new data and information on their expected use in the next commitment period of land use, land-use change and forestry and emissions trading and the project-based mechanisms, including expected carry-over of units from the first commitment period to the next commitment period, as well as related assumptions made when presenting their pledges for emission reduction targets. Submissions from Annex I Parties

FCCC/KP/AWG/2010/MISC.5	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 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
FCCC/KP/AWG/2010/MISC.5/Add.1	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 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
FCCC/KP/AWG/2010/INF.2/Rev.1	Compilation of pledges for emission reductions and related assumptions provided by Parties to date and the associated emission reductions: update July 2010. Note by the secretariat
FCCC/KP/AWG/2010/L.5	Draft report of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol on its thirteenth session
FCCC/KP/AWG/2010/CRP.1	In-session workshop on the scale of emission reductions to be achieved by Annex I Parties in aggregate and the contribution of Annex I Parties, individually or jointly, to this scale. Conference room paper
FCCC/KP/AWG/2010/CRP.2	Draft proposal by the Chair. Conference room paper
Other documents before the session	
FCCC/KP/AWG/2010/7	Report of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol on its twelfth session, held in Bonn from 1 to 11 June 2010
FCCC/KP/AWG/2010/6	Documentation to facilitate negotiations among Parties. Note by the Chair
FCCC/KP/AWG/2010/6/Add.1	Documentation to facilitate negotiations among Parties. Note by the Chair. Addendum. Proposed amendments to the Kyoto Protocol pursuant to its Article 3, paragraph 9
FCCC/KP/AWG/2010/6/Add.2	Documentation to facilitate negotiations among Parties. Note by the Chair. Addendum. Land use, land-use change and forestry

FCCC/KP/AWG/2010/6/Add.3	Documentation to facilitate negotiations among Parties. Note by the Chair. Addendum. Emissions trading and the project based mechanisms
FCCC/KP/AWG/2010/6/Add.4	Documentation to facilitate negotiations among Parties. Note by the Chair. Addendum. Greenhouse gases, sectors and source categories; common metrics to calculate the carbon dioxide equivalence of anthropogenic emissions by sources and removals by sinks; and other methodological issues
FCCC/KP/AWG/2010/6/Add.5	Documentation to facilitate negotiations among Parties. Note by the Chair. Addendum. Consideration of information on potential environmental, economic and social consequences, including spillover effects, of tools, policies, measures and methodologies available to Annex I Parties
FCCC/KP/AWG/2010/3	Report of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol on its eleventh session, held in Bonn from 9 to 11 April 2010
FCCC/KP/CMP/2009/21 and Add. 1	Report of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol on its fifth session, held in Copenhagen from 7 to 15 December 2009
