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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

Item 3 of the provisional agenda

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

**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

1. The Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP), at its twelfth session, invited Annex I Parties in a position to do so to submit to the secretariat, by 2 July 2010, 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 (FCCC/KP/AWG/2010/7, para. 30).

2. The secretariat has received two such submissions. 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.

3. The submission from Spain and the European Commission on behalf of the European Union and its member States** also includes views on paragraph 29 of document FCCC/KP/AWG/2010/7 and hence the same submission is also included in document FCCC/KP/AWG/2010/MISC.2.

* 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.

** This submission is supported by Croatia, Montenegro, Serbia and the former Yugoslav Republic of Macedonia.

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* This submission is supported by Croatia, Montenegro, Serbia and the former Yugoslav Republic of Macedonia.

Japan's submission on data and information on the expected use of LULUCF and emissions trading and the project-based mechanisms etc.

1. Japan does not yet have any numerical information on the expected use of LULUCF and emission trading and the project-based mechanisms etc.
2. With regard to the contribution of forest management, which is the main activity of LULUCF, it may vary from +1.5 per cent to -2.9 per cent in 2020 relative to the 1990 level, depending on the accounting rules for LULUCF currently under consideration by the AWG-KP.

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

This submission is supported by Croatia, the Former Yugoslav Republic of Macedonia, Montenegro and Serbia.

Madrid, June 30th 2010

Subject: Views on the technical workshop to be held at the thirteen session of the AWG KP 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.

Spain and the European Commission, on behalf of the European Union and its Member States, welcome the opportunity to submit their views on issues relating to paragraphs 5 and 6 from the conclusions adopted at the twelfth session.

The EU believes that during the last session of the AWG KP, Parties engaged in real and substantive discussions on issues critical to advancing the work of the AWG KP. We had an intensive and constructive debate on the implications of rules on the scale of emission reduction to be achieved by AI Parties, individually or jointly, and have taken an important step forward in our understanding of the relationship between emission reduction commitments and the rules.

The EU believes that we are heading in the right direction, but the debate on technical issues needs to be taken further in order to increase the transparency of pledges; facilitate raising the level of ambition; as well as to ensure environmental integrity. In this regard, we welcome the next in-session workshop and we look forward to further engaging with colleagues in order to deepen our understanding of the implications of the rules for implementation and emission reduction commitments. We were very pleased with the joint meeting between the numbers and LULUCF groups because of the need to take LULUCF into account when considering overall emissions reduction commitments. This is essential to delivering environmental integrity.

On potential **topics to be covered at the workshop** the EU believes that it would be useful to engage in a discussion on how the current and proposed rules could impact the pledges. During our last session, presentations made by some Parties, including the EU, on these issues proved to be useful to deepen understanding. Further work is now needed in this context in order to advance our understanding on the impact of the rules and the transparency of pledges. The EU wants to encourage all Parties, especially other Annex I Parties, to engage into this exercise to have a more transparent and complete view on the scale of emission reductions and the overall level of ambition. Therefore, the topics proposed for this workshop could include implications of: expected use of LULUCF, efforts and achievements to date and emissions trading, project based mechanisms and new mechanisms.

The EU would be willing to present its views on these issues again in the context of the AWG KP workshop if Parties find it useful as well as on other issues that could have a positive impact on Parties pledges (e.g. establishment of new mechanisms).

In addition the EU would like to ask the Secretariat to consider inputs for the Workshop from non-Party entities, business and other stakeholders, as well as organisations and technical experts that could present quantitative analysis on how the current and proposed rules could impact the pledges. Possible organizations that could be invited to the workshop could include: Joint Research Centre (JRC), International Energy Agency, International Emissions Trading Association (IETA), the World Bank and the OECD. Other experts with proved experience in this analytical field could also be invited; this could include, inter alia, New Carbon Finance, Point Carbon, Group "climateactiontracker.org", etc. This selection of bodies and experts is necessarily indicative and non exhaustive.

In addition, members from the CDM Executive Board and the Joint Implementation Supervisory Committee could be invited to provide some insights on whether their current work has potential implications on the rules and therefore the scale of emission reductions to be achieved by Annex I Parties.

Regarding **available data** on expected use of land use, land-use change and forestry and on 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 pledges, the EU would like to recall that relevant information has already been submitted to the secretariat, and included as an illustrative case in Annex II of document FCCC/KP/AWG/2010/INF.1 “*Compilation of pledges for emission reductions and related assumptions provided by Parties to date and the associated emission reductions*”.

- Regarding **LULUCF data**, in December last year, the EU submitted to the UNFCCC data on forest management reference levels. We would like to recall that we are currently working on most up-to-date information available, with a view to make a new submission as soon as possible, so that the information is available for the negotiation towards the next climate talks in Bonn. The estimate below is made using the best available data at the time of this submission and might be revised when new information becomes available.

The EU would like to reiterate that the EU 20% target does not include the LULUCF sector. In case the EU commits to a 30% reduction of GHG in the context of a global and comprehensive agreement for the period beyond 2012, the LULUCF sector will be included. It should be noted that LULUCF is part of the domestic effort and should not be regarded as an offset-mechanism.

The contribution of LULUCF to the overall effort depends on accounting rules that have not been decided yet. The EU made a preliminary estimate at the 12th session of the AWG-KP based on four accounting options i.e. 1) Existing Kyoto Protocol rules; 2) Gross-net with discount factor of 85 %; 3) REF LEVEL submitted in COP 15 (in May 2010 for Russia); 4) Reference Level = 1990.

The result of this estimate shows that the LULUCF contribution for the EU could result in a range between net removals equal to 0.7% of 1990 emissions and net emissions equal to 2.1% of 1990 emissions.

- **Regarding use of emissions trading and project based mechanisms;** the EU legislation limits the use of JI and CDM credits to achieve those targets. Those limitations are different for different sectors and the actual use of JI and CDM may vary over time so that it is not possible to derive a definite limit for any single year, e.g. 2020.

However, for illustrative purposes, if one assumes that JI-CDM credits are used at an equal rate over time, the total estimated ceiling for JI-CDM use in the case of a 20% target would be around 4% compared to 1990, or about a fifth of the reduction target of 20% compared to 1990. In case the EU commits to a 30% reduction of GHG in the context of a global and comprehensive agreement for the period beyond 2012, the EU legislation foresees the use of a higher amount of offsets— compared to the case of the unilateral 20% reduction commitment. It is currently foreseen that half of the additional reductions that are required could be met by use of JI-CDM credits. So if the target is increased by 10 percentage points (i.e. from 20% to 30%) an additional 5% of reductions compared to 1990 could be met using JI-CDM. As a consequence the estimated ceiling for use of JI-CDM could be about 9% compared to 1990 in the case of a 30% reduction target.

- In addition, according to the latest UNFCCC accounting report (FCCC/KP/CMP/2009/15/Add.1) the EU25 received the equivalent of 26.563 Gt in AAUs for the first commitment period of the Kyoto Protocol. According to current data, the EU and its Member States are on track to comply with their Kyoto targets, and in many cases they will have reduced emissions to a greater extent than prescribed under the Kyoto Protocol (or the relevant EU decisions). According to the latest National Communication of the European Union, expected emissions in 2010 will be 5.024 Gt (with existing measures scenario). Deducting latest emission figures for Malta and Cyprus (as they are not Parties to the KP yet) this leaves about 5.011 Gt for the EU25 in 2010. Assuming that emissions during the first commitment period would on average equal the projected volume for 2010, the EU25 should expect to use a quantity of 25.054 Gt of their AAUs for compliance. This over-achievement of the targets would result in a potential carry-over of 1.508 Gt from the first CP.

According to the fifth National Communication of the EU, the Member States' intended use of flexible mechanisms is expected to increase the projected emission units for the EU-15 in the commitment period by 93 Mt in 2010, while use of carbon sinks is expected to increase this further by 42 Mt in 2010. In addition the acquisition of emission credits stemming from the flexible mechanisms by the EU ETS operators is expected to increase the projected emission units in 2010 by a further 61.2 Mt. Over the five years of the first commitment period this would result in 0,981 Gt of emission units. If this quantity would be used for compliance in CP1, the EU25 could potentially carry forward an equivalent amount of AAUs in addition to the 1.508 Gt estimated above. The overall carry over from the over-achievement of Kyoto targets could therefore amount to as much as 2.489 Gt.

The estimates above are subject to assumptions and uncertainties which will need to be discussed in more detail in the course of further work on this issue. Moreover, the actual impact on the level of effort implied by further emission reduction commitments of developed countries will depend on the extent to which the carry-over would be used for compliance in subsequent commitment periods.

The EU is open to engage in discussions on the impact of the quantitative information and data provided by Parties, as well as proposals by Parties on options to address the implications of issues identified in the work programme of the AWG KP for the scale of emission reduction to be achieved by Annex I Parties and for further exploring a possible enhanced scale of emission reductions.
