

Kyoto Protocol

Countries included in Annex B to the Kyoto Protocol and their emissions targets

| Country | Target (1990** - 2008/2012) |
|---|-----------------------------|
| EU-15*, Bulgaria, Czech Republic, Estonia, Latvia, Liechtenstein, Lithuania, Monaco, Romania, Slovakia, Slovenia, Switzerland | -8% |
| US*** | -7% |
| Canada, Hungary, Japan, Poland | -6% |
| Croatia | -5% |
| New Zealand, Russian Federation, Ukraine | 0 |
| Norway | +1% |
| Australia | +8% |
| Iceland | +10% |

* The EU's 15 member States will redistribute their targets among themselves, taking advantage of a scheme under the Protocol known as a "bubble". The EU has already reached agreement on how its targets will be redistributed.

** Some EITs have a baseline other than 1990.

*** The US has indicated its intention not to ratify the Kyoto Protocol.

Note: Although they are listed in the Convention's Annex I, *Belarus* and *Turkey* are not included in the Protocol's Annex B as they were not Parties to the Convention when the Protocol was adopted.

Upon entry into force, *Kazakhstan*, which has declared that it wishes to be bound by the commitments of Annex I Parties under the Convention, will become an Annex I Party under the Protocol. As it had not made this declaration when the Protocol was adopted, Kazakhstan does not have an emissions target listed for it in Annex B.

The targets cover emissions of the six main greenhouse gases, namely:

- Carbon dioxide (CO₂);
- Methane (CH₄);
- Nitrous oxide (N₂O);
- Hydrofluorocarbons (HFCs);
- Perfluorocarbons (PFCs); and
- Sulphur hexafluoride (SF₆)

The maximum amount of emissions (measured as the equivalent in carbon dioxide) that a Party may emit over the commitment period in order to comply with its emissions target is known as a Party's **assigned amount**.

The Protocol includes provisions for the review of its commitments, so that these can be strengthened over time. Negotiations on targets for the second commitment period are due to start in 2005, by which time Annex I Parties must have made "demonstrable progress" in meeting their commitments under the Protocol. The whole Protocol will be reviewed at the second session of the COP, which will serve as the "meeting of the Parties" to the Protocol (the so-called **COP/MOP**), after the Protocol has entered into force.

To achieve their targets, Annex I Parties must put in place **domestic policies and measures**. The Protocol provides an indicative list of policies and measures that might help mitigate climate change and promote sustainable development.

Parties may offset their emissions by increasing the amount of greenhouse gases removed from the atmosphere by so-called carbon “sinks” in the land use, land-use change and forestry (LULUCF) sector. However, only certain activities in this sector are eligible. These are **afforestation, reforestation and deforestation** (defined as eligible by the Kyoto Protocol) and **forest management, cropland management, grazing land management and revegetation** (added to the list of eligible activities by the Marrakesh Accords). Greenhouse gases removed from the atmosphere through eligible sink activities generate credits known as **removal units** (RMUs). Any greenhouse gas *emissions* from eligible activities, in turn, must be offset by greater emission cuts or removals elsewhere.

Additional detailed rules govern the extent to which emissions and removals from the LULUCF sector can be counted under the Protocol. The amount of credit that can be claimed through forest management, for example, is subject to an individual cap for each Party, which is listed in the Marrakesh Accords.

The Protocol also establishes three innovative “mechanisms” known as **joint implementation**, the **clean development mechanism** and **emissions trading**. These are designed to help Annex I Parties cut the cost of meeting their emissions targets by taking advantage of opportunities to reduce emissions, or increase greenhouse gas removals, that cost less in other countries than at home.

Any Annex I Party that has ratified the Protocol may use the mechanisms to help meet its emissions target, provided that it is complying with its methodological and reporting obligations under the Protocol. However, Parties must provide evidence that their use of the mechanisms is “supplemental to domestic action”, which must constitute “a significant element” of their efforts in meeting their commitments.

Businesses, environmental NGOs and other “legal entities” may participate in the mechanisms, albeit under the responsibility of their governments.

Under **joint implementation**, an Annex I Party may implement a project that reduces emissions (e.g. an energy efficiency scheme) or increases removals by sinks (e.g. a reforestation project) in the territory of another Annex I Party, and count the resulting **emission reduction units** (ERUs) against its own target. While the term “joint implementation” does not appear in Article 6 of the Protocol where this mechanism is defined, it is often used as convenient shorthand. In practice, joint implementation projects are most likely to take place in EITs, where there tends to be more scope for cutting emissions at low cost.

An **Article 6 supervisory committee** will be set up by the COP/MOP when it meets for the first time. This committee will oversee a verification procedure for joint implementation projects hosted by Parties that do not meet all the eligibility requirements related to the Protocol’s methodological and reporting obligations.

Under the **clean development mechanism** (CDM), Annex I Parties may implement projects in non-Annex I Parties that reduce emissions and use the resulting **certified emission reductions** (CERs) to help meet their own targets. The CDM also aims to help non-Annex I Parties achieve sustainable development and contribute to the ultimate objective of the Convention.

The rulebook for the CDM set forth in the Marrakesh Accords focuses on projects that reduce emissions. Rules are being developed, however, for adoption at COP 9 in 2003, for including afforestation and reforestation activities in the CDM for the first commitment period. These rules include a limit on the extent to which Annex I Parties may use CERs from such sink projects towards their targets.

Accredited independent organizations, known as **operational entities**, will play an important role in the CDM project cycle, including in the validation of proposed projects and certification of emission reductions and removals. A levy from each CDM project – known as a “share of the proceeds” – will help finance adaptation activities in particularly vulnerable developing countries and cover administrative expenses.

The Protocol envisages a prompt start to the CDM, allowing CERs to accrue from projects from the year

2000 onwards. This prompt start was put into effect at COP 7, with the establishment of the CDM's **executive board**.

Under **emissions trading**, an Annex I Party may transfer some of the emissions under its assigned amount, known as **assigned amount units** (AAUs), to another Annex I Party that finds it relatively more difficult to meet its emissions target. It may also transfer CERs, ERUs or RMUs that it has acquired through the CDM, joint implementation or sink activities in the same way. In order to address the concern that some countries could “over-sell” and then be unable to meet their own targets, the Protocol rulebook requires Annex I Parties to hold a minimum level of AAUs, CERs, ERUs and/or RMUs in a **commitment period reserve** that cannot be traded.

The Protocol mirrors the Convention in recognizing the specific needs and concerns of developing countries, especially the most vulnerable among them. Annex I Parties must thus provide information on how they are striving to meet their emissions targets while minimizing adverse impacts on developing countries. The Marrakesh Accords list a series of measures that industrialized countries should prioritize in order to reduce such impacts, such as removing subsidies associated with environmentally-unfriendly technologies, and technological development of nonenergy uses of fossil fuels.

A new **adaptation fund** was also established by the Marrakesh Accords to manage the funds raised by the adaptation levy on the CDM, as well as contributions from other sources. The fund will be administered by the GEF, as the operating entity of the Convention and Kyoto Protocol's financial mechanism.

Annex I Parties will submit **annual emission inventories** and regular **national communications** under the Protocol, both of which will be subject to **in-depth review** by expert review teams. Expert review teams have the mandate to highlight potential compliance problems – known as **questions of implementation** – that they find, and to refer these to the Compliance Committee if Parties fail to address them. Parties must also establish and maintain a **national registry** to track and record transactions under the mechanisms. As an added monitoring tool, the secretariat will keep an independent **transaction log** to ensure that accurate records are maintained. It will also publish an annual **compilation and accounting report** of each Party's emissions and its transactions over the year. All information, except that designated as confidential, will be made available to the public. (There are safeguards in place to limit what type of information may be designated as confidential.)

The Protocol's compliance system, agreed as part of the Marrakesh Accords, gives “teeth” to its commitments. It consists of a **Compliance Committee**, composed of a **plenary**, a **bureau**, and two branches: a **facilitative branch** and an **enforcement branch**. As their names suggest, the facilitative branch aims to provide advice and assistance to Parties, including “early-warning” that a Party may be in danger of not complying, whereas the enforcement branch has the power to apply certain consequences on Parties not meeting their commitments.

If a Party fails to meet its emissions target, it must make up the difference in the second commitment period, plus a penalty of 30%. It must also develop a **compliance action plan**, and its eligibility to “sell” under emissions trading will be suspended.

The Protocol rulebook sets out detailed procedures for considering cases of potential non-compliance, along with an expedited procedure for reviewing cases concerning eligibility to participate in the mechanisms.