

An Introduction to UNFCCC, the Kyoto Protocol and its flexibility mechanisms

Framework

The United Nations Framework Convention on Climate Change (**UNFCCC**) established the overall framework for intergovernmental efforts to tackle the challenge posed by climate change, which encouraged developed countries to stabilize greenhouse gas (**GHG**) emissions. It entered into force on 21 March 1994 and has been ratified by 192 countries.

The Kyoto Protocol commits those countries that ratified it to reduce their GHG emissions below the levels specified for each of them in Annex B to the Protocol, within a five-year time frame between 2008 and 2012, to result in a reduction in their total GHG emissions of at least 5% against the baseline of 1990. The Protocol established the flexible mechanisms of the Clean Development Mechanism, Joint Implementation and Emissions Trading. The Protocol, which ultimately was not ratified by all of the parties to the UNFCCC, entered into force on 16 February 2005.

The Member States of the European Union agreed to combine their individual emissions reduction targets and to redistribute those targets among Member States, allowing transfers among Member States.

The Marrakesh Accords set out the detailed rules and procedures for implementation of the flexible mechanisms of the Kyoto Protocol and were adopted in 2001. These procedures and rules have been codified, supplemented and amended by the annual meetings of the parties to the UNFCCC / Kyoto Protocol, in conferences of the parties to the UNFCCC serving as meetings of the parties to the Kyoto Protocol (**COP/MOPs**).

Parties

The UNFCCC designated countries as Annex I Parties, Annex II Parties and Non-Annex I Parties.

Annex I Parties

Include the industrialized countries that were members of the Organisation for Economic

Co-operation and Development (**OECD**) in 1992, plus countries with economies in transition (**EIT Parties**). The parties are:

Australia, Austria, Belarus, Belgium, Bulgaria, Canada, Croatia, Czech Republic, Denmark, Estonia, European Union, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Monaco, The Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Russian Federation, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom and United States of America.

Annex II Parties

Consist of the OECD members of Annex I, excluding the EIT Parties. They are required to provide financial resources to enable developing countries to undertake emissions reduction activities and to help them adapt to the adverse effects of climate change, as well as to take practicable steps to promote the development and transfer of environmentally friendly technologies to EIT Parties and developing countries. The parties are:

Australia, Austria, Belgium, Canada, Denmark, European Union, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom and United States of America.

Non-Annex I Parties

Consist mostly of developing countries. Of these, there are 48 Least Developed Countries (**LDCs**), which are given special consideration under the UNFCCC on account of their limited capacity to respond to climate change and adapt to its adverse effects.

Greenhouse Gases

The UNFCCC sets an ultimate objective of stabilizing greenhouse gas concentrations "at a level that would prevent dangerous

anthropogenic (human induced) *interference* with the climate system". The gases are listed in Annex A to the Kyoto Protocol.

Greenhouse Gases (GHG)	Global Warming Potential (GWP) ¹
Carbon dioxide (CO ₂)	1
Methane (CH ₄)	23
Nitrous oxide (N ₂ O)	296
Hydrofluorocarbons (HFCs)	12 - 12,000
Perfluorocarbons (PFCs)	5,700 – 11,900
Sulphur hexafluoride (SF ₆)	22,200

Each GHG has a different global warming potential over different periods of time. The figures shown above are for 100 years.

Kyoto Protocol Flexibility Mechanisms

The Protocol established the flexible mechanisms of the Clean Development Mechanism, Joint Implementation and Emissions Trading to lower the overall costs of achieving its emissions reduction targets, by enabling parties to access opportunities to reduce emissions or to remove carbon from the atmosphere in other countries where it is more cost effective to do so. (*Separate Taylor Wessing briefing notes on the Clean Development Mechanism, Joint Implementation and EU Emissions Trading Scheme are available.*)

Eligibility

Generally, in order to participate in the Flexibility Mechanisms, parties:

- must have ratified the Kyoto Protocol;*
- must have calculated their assigned

¹ Data source: Third Assessment IPCC Report, 2001

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amount, as referred to in Articles 3.7 and 3.8 and Annex B of the Protocol in terms of tonnes of CO₂ equivalent emissions;*

- must have in place a national system for estimating emissions and removals of greenhouse gases within their territory;
- must have in place a national registry to record and track the creation and movement of units issued under the flexibility mechanisms and must annually report such information to the UNFCCC secretariat; * and
- must submit annually information on emissions and removals to the UNFCCC secretariat.

However, it is possible to be a party to a Joint Implementation Track 2 project in circumstances where only the criteria marked "*" have been met.

The use of project based credits (CERs and ERUs) to satisfy Kyoto reduction targets is required to be supplemental to domestic GHG abatement measures (the supplementarity requirement).

Clean Development Mechanism (CDM)

Description

A mechanism through which developed countries may finance greenhouse gas emission reduction or removal projects in developing countries, and receive credits for doing so which they may apply towards meeting mandatory limits on their own emissions.

Supervisory bodies

CDM Executive Board / Designated National Authorities of Parties.

Unit

Certified Emission Reductions (**CER**), a unit equal to 1 metric tonne of CO₂ equivalent, issued by the CDM Executive Board. Two special types of CERs called temporary certified emission reduction (**tCERs**) and long-term certified emission reductions (**ICERs**) are issued for emission removals from afforestation and reforestation CDM projects.

Joint Implementation (JI)

Description

A mechanism through which a developed country can receive emissions reduction units when it helps to finance projects that reduce net greenhouse-gas emissions in another developed country. An Annex I Party must meet specific eligibility requirements to participate in JI.

Supervisory body

Host Party JI Focal Point (Track 1) or Joint Implementation Supervisory Committee (**JISC**) (Track 2).

Unit

Emission Reduction Unit (**ERU**), a unit equal to 1 metric tonne of CO₂ equivalent.

Emissions Trading

Description

mechanism allowing Annex I Parties to acquire emission reduction units from other Annex I Parties.

Units

Assigned Amount Unit (**AAM**) issued by an Annex I Party on the basis of its assigned amount pursuant to Articles 3.7 and 3.8 of

the Kyoto Protocol; Removal Amount Unit (**RMU**) issued in relation to a carbon sink on the basis of land use, land-use change and forestry (**LULUCF**) activities under Articles 3.3 and 3.4 of the Kyoto Protocol; CER and ERU.

Linking with EU ETS

Directive 2004/101/EC of the European Parliament and Council (the EU Linking Directive) allows allowances issued under the Clean Development Mechanism and Joint Implementation (excluding allowances from land use, land use change and forestry (**LULUCF**) activities (i.e. tCERs and ICERs) and, during the first and second phases of the EU ETS, allowances from nuclear facilities) to meet compliance targets under the EU Emissions Trading Scheme, subject to certain limitations. The Directive permits the introduction of caps on the use of CERs and ERUs for EU ETS compliance purposes.

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