

**Views expressed by Parties on possible improvements to emissions trading and the project-based mechanisms under the Kyoto Protocol, as means that may be available to Annex I Parties to reach their emission reduction targets, compiled by the Chair of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol**

This annex is the compilation of views of Parties and does not prejudice any actions by the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol.

**I. Clean development mechanism**

**A. Scope**

1. Modification of the scope of the clean development mechanism (CDM):
  - (a) Include other land use, land-use change and forestry (LULUCF) activities;<sup>1</sup>
  - (b) Introduce a cap for eligible LULUCF activities;<sup>2</sup>
  - (c) Include carbon dioxide capture and storage;<sup>3</sup>
  - (d) Include nuclear activities;
  - (e) Introduce sectoral CDM for emission reductions below a baseline defined at a sectoral level;
  - (f) Introduce sectoral crediting of emission reductions below a previously established no-lose target;
  - (g) Introduce crediting on the basis of nationally appropriate mitigation actions.

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<sup>1</sup> Discussion to be informed by outcomes of the consideration of non-permanence and other methodological issues.

<sup>2</sup> Discussion to be informed by outcomes of the consideration of non-permanence and other methodological issues.

<sup>3</sup> This issue is being considered by the Subsidiary Body for Scientific and Technological Advice under its work on carbon dioxide capture and storage in geological formations as CDM project activities. This item is listed without prejudging or limiting that consideration for the first commitment period.

## **B. Effectiveness and efficiency**

2. Enhancements to the supervisory role of the Executive Board of the CDM:

Introduce a different supervisory structure and institutional arrangement in case of modification of the scope of the CDM.

3. Enhancements to the efficiency of the Executive Board:

Ensure equitable representation of Parties on the Executive Board through changes to the modalities and procedures for the CDM.

4. Role of the secretariat:

Shift the function of the secretariat to support the Executive Board to another organization.

5. Designated operational entities (DOEs):

Introduce alternative institutional arrangements to replace DOEs.

6. Broaden the role of host Party governments.

7. Alternative ways to ensure environmental integrity and assess the additionality of projects:

- (a) Develop standardized, multiple-project baselines;
- (b) Establish additionality at the macro level;
- (c) Exempt certain project types from the additionality test;
- (d) Introduce criteria for projects that would have happened anyway.

## **C. Accessibility<sup>4,5</sup>**

8. Differentiate the treatment of Parties under the CDM:

- (a) Define eligible Parties through use of indicators;
- (b) Improve access to CDM projects by certain host Parties.

9. Differentiate the treatment of types of projects by Party.

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<sup>4</sup> Equitable regional distribution is being considered by the Subsidiary Body for Implementation under its work on the preparation for the second review of the Kyoto Protocol pursuant to its Article 9.

<sup>5</sup> Non-permanence and other methodological issues are being considered by the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol under its work on LULUCF.

## **D. Contribution to sustainable development, capacity to generate co-benefits and the transfer of technology**

10. Enhance the contribution of the CDM to sustainable development, as approved by the host Party:

Allocate proportions of the demand for certified emission reductions (CERs) to specific project types (high sustainable development component) and/or specific groups of Parties.

11. Increase the demand for afforestation and reforestation projects:

Define alternative accounting rules for afforestation and reforestation projects.<sup>6</sup>

12. Increase the co-benefits of CDM projects (e.g. energy efficiency):

Include co-benefits (e.g. monetary, other) as a project assessment criterion.

13. Restrict CDM to bilateral CDM projects.

14. Alternatives to the current application of global warming potentials (GWPs):

(a) Introduce multiplication factors for emission reductions to determine CERs from certain technologies;

(b) Replace the application of GWPs with the application of global temperature-change potentials (GTPs).<sup>7</sup>

15. Increase the technology transfer of the CDM (North–South, South–South, within a country):

Include technology transfer as a project assessment criterion.

## **II. Joint implementation**

### **A. Scope**

16. Modalities for graduation of Parties from CDM projects to joint implementation (JI) projects.

17. Consistency of approaches to LULUCF activities:<sup>8</sup>

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<sup>6</sup> Non-permanence and other methodological issues are being considered by the AWG-KP under its work on LULUCF.

<sup>7</sup> GWPs are being considered by the AWG-KP under its work on greenhouse gases, sectors and source categories.

<sup>8</sup> Non-permanence and other methodological issues are being considered by the AWG-KP under its work on LULUCF.

- (a) Ensure approaches for LULUCF projects under JI are in line with the treatment of LULUCF under Article 3, paragraphs 3 and 4, of the Kyoto Protocol;
- (b) Introduce approaches to LULUCF projects under JI that are parallel to the treatment of afforestation and reforestation activities under the CDM.

18. Modification of the scope of JI:

- (a) Include activities to reduce emissions from deforestation and degradation;<sup>9</sup>
- (b) Introduce crediting on the basis of nationally appropriate mitigation actions.

### **B. Effectiveness and efficiency**

19. Enhancements to the supervisory role of the Joint Implementation Supervisory Committee (JISC):

Introduce a different supervisory structure and institutional arrangement in case of modification of the scope of the JI.

20. Enhancements to the efficiency of the JISC:

Ensure equitable representation of Parties on the JISC through changes to the guidelines for JI.

21. Role of the secretariat:

Shift the secretariat's function to support the JISC to another organization.

22. Accredited independent entities (AIEs):

Introduce alternative institutional arrangements to replace the AIEs.

23. Broaden the role of host Party governments.

24. Alternative ways to ensure environmental integrity and assess the additionality of projects:

- (a) Establish additionality at the macro level;
- (b) Exempt certain project types from the additionality test;
- (c) Introduce criteria for projects that would have happened anyway.

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<sup>9</sup> Non-permanence and other methodological issues are being considered by the AWG-KP under its work on LULUCF.

### **C. Accessibility<sup>10</sup>**

25. Differentiate the treatment of Parties under the JI:
  - (a) Define eligible host Parties through use of indicators;
  - (b) Improve access to JI projects by certain host Parties.
26. Differentiate the treatment of types of projects by host Party.

### **D. Contribution to sustainable development, capacity to generate co-benefits and the transfer of technology**

27. Enhance the contribution of JI to sustainable development, as approved by the host Party:

Allocate proportions of the demand for emission reduction units to specific project types (high sustainable development component) and/or specific groups of Parties.

28. Increase the co-benefits of JI projects (e.g. energy efficiency):

Include co-benefits (e.g. monetary, other) as a project assessment criterion.
29. Restrict JI to bilateral JI projects.
30. Alternatives to the current application of GWPs:
  - (a) Introduce multiplication factors for emission reductions to determine emission reduction units from certain technologies;
  - (b) Replace the application of GWPs with the application of GTPs.<sup>11</sup>
31. Increase the technology transfer of JI:

Include technology transfer as a project assessment criterion.

## **III. Emissions trading (Article 17)**

### **A. Scope**

32. Introduce emissions trading based on sectoral targets.
33. Introduce emissions trading on the basis of nationally appropriate mitigation actions.

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<sup>10</sup> Non-permanence and other methodological issues are being considered by the AWG-KP under its work on LULUCF.

<sup>11</sup> 11 GWPs are being considered by the AWG-KP under its work on greenhouse gases, sectors and source categories.

34. Linking to voluntary national/regional/sectoral emissions trading schemes in non-Annex I Parties.

### **B. Effectiveness and efficiency**

35. Linking of national and regional emissions trading schemes.

36. Broader mutual acceptance of units (fungibility):

- (a) Review restrictions on the access to and use of certain Kyoto unit types;
- (b) Greater convertibility among Kyoto unit types.

37. Commitment period reserve (CPR):

- (a) Eliminate the CPR provisions;
- (b) Lower CPR levels in subsequent commitment periods for Annex I Parties that meet their commitment in the previous commitment period;
- (c) Raise or maintain CPR levels.

38. Transparency of emissions trading markets:

Options to encourage disclosure of information on transaction of Kyoto unit types.

39. Role of the secretariat:

Shift the function of the secretariat to support the international transaction log to another organization.

### **C. Accessibility**

### **D. Contribution to sustainable development, capacity to generate co-benefits and the transfer of technology**

## **IV. Cross-cutting issues**

40. Review of carry-over restrictions:

- (a) Issues related to banking;
- (b) Ensure consistency of carry-over rules for removal units;

- (c) Change the limit on the retirement of temporary CERs (tCERs) and long-term CERs (lCERs);<sup>12</sup>
  - (d) Introduce borrowing of assigned amounts from future commitment periods.
- 41. Reduce the number of unit types established under the Kyoto Protocol.
  - 42. Extend the share of proceeds.<sup>13</sup>
  - 43. Introduce a mid-commitment period “true-up” process.

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<sup>12</sup> Non-permanence and other methodological issues are being considered by the AWG-KP under its work on LULUCF.

<sup>13</sup> This issue is being considered by the SBI under its work on the preparation for the second review of the Kyoto Protocol pursuant to its Article 9.