

APPENDIX C

OVERVIEW OF THE KYOTO PROTOCOL

The third session of the Conference of the Parties to the Framework Convention on Climate Change was held in Kyoto, Japan, from 1–11 December 1997. The Conference adopted the Kyoto Protocol to the Framework Convention. Australia signed the Protocol on 29 April 1998. The Protocol has still to pass through the Commonwealth Parliament's treaty process before it can be ratified by the Australian Government.

Key elements of the Kyoto Protocol relevant to emissions reductions and trading are outlined below.¹

Emissions reduction targets

The individual circumstances of Parties to the Convention are recognised through differentiated emission reduction targets. These targets are based on 1990 or 1995 emissions levels, and range from –8% for the European Union, -7% for the United States, and -6% for Japan, to +10% for Iceland and +8% for Australia (Articles 3.1, 3.7, 3.8, Annex B).

Annex B countries, which include developed nations and some nations in the process of transition to a market economy, have a collective target of 5.2% reduction in emissions from 1990 levels; this target represents 30 per cent less than business-as-usual projections.

Coverage

The Protocol covers the six main greenhouse gases: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride (Annex A). The Protocol also includes emissions from land use change, which accounted for 24 per cent of Australia's total emissions in 1990 (Article 3.7).

1 Source documents for this information include Department of Foreign Affairs and Trade, 'Outcomes of the Third Session of the Conference of the Parties', Fact sheet, URL:<<http://www.dfat.gov.au/environment/climate/cop3.html>> accessed 4 August 1998; Joshua, Frank, 'International greenhouse gas emissions trading – structure and organisation of the emissions market', paper presented to a Conference on Emissions Trading, 18-19 June 1998, ANA Hotel, Sydney; Bradley, Richard, 'Through the looking glass – the Kyoto protocol and beyond', in *Outlook 98 – Commodity Markets and Resource Management*, Proceedings of the National Agricultural and Resource Outlook Conference, ABARE, Canberra, 3-5 February 1998. A full copy of the Kyoto Protocol can be downloaded from the United Nations Framework Convention on Climate Change internet site: URL:<http://www.unfccc.de/>, 16 August 1998.

Emissions reductions resulting from sink activity are included in the Protocol. This is for sinks resulting from land-use change and forestry activities limited to afforestation, reforestation and deforestation since 1990 (Article 3.3).

Commitment period

The Protocol's first commitment period, during which each Party's emissions will be measured against its legally binding target, is from 2008-2012. Each Party must have made demonstrable progress towards its commitment by 2005 (Articles 3.1, 3.2).

Emissions trading

Article 17 establishes an international emissions trading regime amongst Annex B countries. Trades are debited or credited to each Party's greenhouse emissions total under Articles 3.10 and 3.11. Any emission trading must be supplemental to domestic emission reduction activities. The details of trading arrangements are to be established in future meetings of the Conference of the Parties.

Non-compliance and penalties

The Conference of the Parties is to determine how to deal with non-compliance of the Protocol. This will include a body or mechanism to determine cases of non-compliance, and procedures to address the problem. The Conference of the Parties will publish a list of penalties to apply for non-compliance, taking into account the cause, type, degree and frequency of the non-compliant action (Article 18).

Clean Development Mechanism and joint implementation

The Clean Development Mechanism (CDM) allows Annex B countries to undertake joint emissions reduction projects with developing countries. Annex B countries will claim reductions against their emissions total (Article 12.3(b)), while developing countries will benefit from projects which contribute to sustainable development. The CDM will function under the authority of the Conference of the Parties, which will facilitate projects in developing countries and certify reduction credits. As the CDM was included in the Protocol in the closing stages of negotiations, details have still to be finalised.

Joint implementation refers to projects between Annex B countries only. Article 6 of the Protocol provides that Annex B Parties may participate in joint activities to reduce emissions or establish sinks. The emission reductions or carbon credits generated from the projects are to be transferred between the Parties, provided they are additional to domestic efforts to achieve reductions. The Conference of the Parties will set down guidelines for joint implementation projects, including verification and reporting requirements (Article 6.2).

Inclusion of developing countries

The Protocol does not provide an avenue for developing countries to voluntarily commit to reduction targets. Nor does it include a timetable for developing countries to negotiate reduction targets for the second commitment period, which is expected to be 2013-2017. Ultimately, the objective of the framework convention to stabilise emissions levels cannot be achieved without the participation of developing countries.

Entry into force

The Protocol enters into force when 55 Parties have ratified the agreement, including Parties accounting for 55 per cent of emissions from Annex B countries (Article 25). As at 29 July 1998, 48 countries had signed the Protocol.