



Annex 6

INFORMATION NOTE ON THE IMPLICATIONS OF THE END OF THE KYOTO PROTOCOL'S FIRST COMMITMENT PERIOD FOR THE ISSUANCE OF CERTIFIED EMISSION REDUCTION UNITS

I. Background and scope

1. The compliance rules established under the Kyoto Protocol require units for emission reductions or removals which occur during the first commitment period (CP.1), including certified emission reduction (CER) units, to be clearly distinguishable from units for emission reductions or removals which occur beyond the first commitment period. To ensure that this requirement is met, and in view of the approaching end of the first commitment period, it is necessary to provide clear guidelines with regard to how monitoring periods beginning before 31 December 2012 and ending anytime thereafter (also referred to as straddling monitoring periods) will be treated.
2. The Executive Board (hereinafter referred to as the Board) of the clean development mechanism (CDM) considered, at its sixtieth meeting, the implications for the issuance of CERs at the end of the first commitment period and advised, pending further deliberations, that project participants should try, to the extent possible, to plan the end date of their monitoring periods in order to coincide with the end of the first commitment period.
3. The Board further requested the secretariat to outline options for issuance of CERs impacted by the end of the first commitment period, including an initial assessment of the implications for reporting emission reductions or removals achieved by different project types, related issuance transaction costs, the availability of resources in the system to handle requests for issuance, as well as for the carbon market.
4. This information note provides an analysis of such options and recommendation to the Board based on this analysis.
5. Outside the scope of this information note remain issues related to the issuance of CERs for the period after 31 December 2012. This includes, inter alia, how CERs would be identified within their serial range numbers, issues related to their validity for compliance purposes, and which Global Warming Potentials (GWPs) should be applied in calculating emission reductions.

II. Analysis on reporting emissions reductions with different end date of monitoring periods

6. One scenario which was discussed by the Board in the sixtieth meeting is requests for issuance that cover monitoring periods which end on 31 December 2012.
7. No special treatment would be required for projects with monitoring periods that coincide with the end of the first commitment period. The decision of project participants to end the monitoring period on 31 December 2012 may be part of their original planning or in response to the Board's encouragement at its sixtieth meeting. Such monitoring periods are likely to result in a concentration of demand for verification services and submission of issuance requests in the early part of 2013 and the remaining of 2013 respectively. Therefore, it will be necessary that the system be able to respond to this need in order to avoid bottlenecks and delays in the processing of verification and issuance.
8. However, there may be situations where transaction costs or other reasons which make project participants cannot, or prefer not to, alter their monitoring cycles. In particular, for some project



activities¹, the monitoring of some parameters may not be possible at all points in time or the timing of the monitoring may impact the amount of emission reductions calculated.

9. In such cases, they will submit requests for issuance for monitoring periods that “straddle” the end of the commitment period by beginning before 31 December 2012 and ending anytime thereafter. Since the first commitment period (CP.1) ends on 31 December 2012, the emission reductions or removals achieved as at this cut-off date should be calculated and reported separately from those achieved post 2012.

10. For many project types, the parameters required for the determination of emission reductions or removals can be technically monitored at any time and the emission reductions can be accurately determined for any period (for example, measuring the amount of electricity generated on the basis of meter readings). For such projects, the reporting of emission reductions achieved up to 31 December 2012 would not pose a problem or involve significant transaction costs.

11. In the case of monitoring of some parameters may not be possible at all points in time or the timing of the monitoring may impact the amount of emission reductions calculated, separating the reporting and calculation of emission reductions achieved up to 31 December 2012 and those achieved post 2012 would not be a straightforward exercise.

12. In such a situation a pro rata approach could be applied, such that the overall emission reductions achieved in a monitoring period would be allocated proportionally to the duration of the period up to 31 December 2012 and the period from 1 January 2013 onwards. For example, if a project achieved 100,000 tCO₂ emission reductions from 1 October 2012 to 30 September 2013, then 25,000 CERs would be issued for the first commitment period.

13. This approach may not be the most accurate way of determining and reporting the emission reductions up to 31 December 2012, however it would avoid the need for complex changes in monitoring determination of calculation of emission reductions or removal (where these are even possible) and the incurrence of additional transaction costs due to requirements of changing monitoring cycle and additional verification services. This approach would also tend reduce the concentration of demand of verification the early part of 2013 and subsequently issuance submissions, therefore reducing the need for the secretariat and the Board to apply additional resources to the processing of verification and issuance requests at this time.

14. The submission of requests for issuance that cover straddling monitoring periods would also require the preparation of system that can handle certified emission reductions or removals achieved from period up to 31 December 2012 and certified emission reductions or removals from 1 January 2013 onwards). This will require the procurement of appropriate and timely IT support which will be necessary for the completion of changes to the CDM Information System workflows.

III. Conclusion and recommendation

15. The Board may wish to consider providing guidance to clarify that:

- (a) Project participants may choose to adjust monitoring periods to coincide with the end of the first commitment period;

¹ This includes for example, situations where projects operate under campaign conditions or need to apply annual caps in the calculation of emission reductions.



- (b) Project participants and DOEs may submit requests for issuance for monitoring periods that straddle the end of the commitment period with a clear reporting and determination of the certified emission reductions or removals applicable to the first commitment period and those applicable to the period thereafter. Where apportionment cannot be reliably based on monitoring results for the project, a pro-rata approach shall be used.

16. The Board may wish to request the secretariat to ensure that appropriate actions are taken to address potential technical implications from handling requests for issuance for straddling monitoring periods.

- - - - -