



AUSTRALIA

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Implications of the implementation of decisions 2/CMP.7 to 5/CMP.7 on the previous decisions on methodological issues related to the Kyoto Protocol, including those relating to Articles 5, 7 and 8 of the Kyoto Protocol

I. Overview

This submission contains the views of the Australian Government on Implications of the implementation of decisions 2/CMP.7 to 5/CMP.7 on the previous decisions on methodological issues related to the Kyoto Protocol (the Protocol), including those relating to Articles 5, 7 and 8 of the Protocol. Australia thanks the Secretariat for its work on the technical paper as well as its presentations at the thirty-sixth session of the SBSTA.

It is vitally important to resolve the rule changes that will be necessary for the continued functioning of the Protocol's mechanisms for Parties to a second commitment period. Discussions of these issues should be the focus and priority for this SBSTA work programme up to, and during, the eighth Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) in Doha, Qatar (Doha). Australia suggests that the remaining non-priority issues be set aside and recommended for inclusion in a SBSTA work programme for 2013.

Australia considers issues relating to the continued functioning of the Protocol's mechanisms in a second commitment period of the Protocol that need to be resolved at Doha can be divided into three categories:

- Rule changes relating to eligibility requirements for accessing the flexible mechanisms including:
 - rules on the timing for submission and review of initial reports; and
 - the link between initial reports, assigned amounts and eligibility.
- The form that the revisions will take including:
 - decision architecture;
 - flexibility of language for future rule changes; and
 - ensuring comprehensive coverage of all necessary revisions.
- Identifying and implementing changes to ensure technical inter-operability of updated decision texts, including:
 - updating of cross-references;
 - ensuring language is updated to accurately reflect Parties' obligations; and
 - the format of serial and transaction numbers.



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A further issue which Australia considers a priority is the effective implementation of land sector decisions, including the impact of updates to methodologies, and ensuring that all relevant issues are identified and addressed.

II. Rules on eligibility requirements for accessing the flexible mechanisms

Australia considers that Parties will need to consider the timing for submission and review of Initial Reports to ensure a smooth transition to a second commitment period. A decision on timing for submission and review of Initial Reports should take into account practical constraints arising from the requirement to submit final first commitment period reports in 2014 using *1996 IPCC Guidelines*, and having to implement *2006 IPCC Guidelines* for a second commitment period.¹ A decision on timing should also consider the review of Initial Reports, and facilitate the work of the Secretariat. Australia supports a decision which encourages Parties to submit, at their earliest convenience, Initial Reports noting the above practical limitations.

Australia welcomes the Secretariat's identification of the linkage between eligibility requirements under the Protocol's flexibility mechanisms and submission and review of Initial Reports. We urge Parties to work constructively towards a decision at COP18 to allow continued functioning of the Protocol architecture prior to the issuance of Initial Reports.² In this context Australia considers that Parties who join a second commitment period should not have their ability to access flexibility mechanisms limited by the practical constraints arising from the submission of Initial Reports. Appropriate changes to these provisions will ensure the continued and uninterrupted function of international carbon markets.

III. Form of revisions

Australia encourages Parties to consider the form of the required updates ensuring that revisions are undertaken in a manner that allows for clarity for Parties. Australia also considers that Parties should incorporate flexible language in relation to methodologies which are reasonably expected to be updated in the future.

In examining the implications of decisions 2/CMP.7 to 5/CMP.7 on previous decisions, Parties should look at relevant decisions in their entirety, considering all necessary updates required to a decision in order to make it operational and ensuring a comprehensive coverage of all issues related to the transition to a second commitment period. We further highlight that the issues identified by the Secretariat in decision 1/CMP.7 are also properly within the scope of the existing work item as the implementation of decisions 2/CMP.7 to 5/CMP.7 rests on the decision by Parties to undertake a second commitment period.

¹ See decision 4/CMP.7

² For example 13/CMP.1 paragraph 23 indicates that Parties must issue a quantity of AAUs into their national registry that corresponded to their assigned amount 'prior to any transactions taking place for that commitment period'. Parties should consider methodology around allowing for transactions in the absence of an assigned amount/AAUs.

IV. Ensuring technical inter-operability of updated decision texts

Australia considers that the implications of decision 1/CMP.7 relating to a second commitment period are wide ranging, and thanks the Secretariat for highlighting relevant decisions in paragraphs 87-93 of its technical paper.

Australia welcomes the Secretariat's recognition of the need to update certain references within existing decisions. Australia recognises that in many cases this is a purely administrative process, and encourages Parties and the Secretariat to identify administrative and technical updates which can be included in updated text to be adopted at COP18.

Australia has identified issues with the current drafting of previous decisions relating to a first commitment period such as the use of the terms 'Annex B Parties' and 'Annex I Parties' interchangeably. This issue is particularly relevant to Annex I Parties that have indicated that they do not plan to join a second commitment period of the Protocol. These will remain Annex I Parties, and Parties to the Protocol. However, they will no longer be Parties with commitments inscribed in Annex B of the Protocol. Australia draws Parties' attention in particular to Paragraph 2 and Annex Paragraph 6 of decision 13/CMP.1 as examples of inconsistent use of terminology.

Further elements that may hinder the technical operation of a second commitment period, as contemplated in decisions 2/CMP.7-5/CMP.7 and decided in decision 1/CMP.7, include the process of serial, transaction and account numbers, primarily within decisions 3/CMP.1 and 9/CMP.1. These numbers require inclusion of the commitment period in which the unit was created, the commitment period in which the transaction took place and the commitment period when the account was created. Parties may wish to review these requirements as they may create further impediments to trading, which could contribute to the legal gap. We stress the need for the Secretariat, the Executive Board, the Compliance Committee, and the International Transaction Log and the CDM Registry to be given sufficient guidance by Parties to ensure that they can operate consistently and efficiently to enable a second commitment period.

V. Ensuring the operability of land sector decisions

At the seventh CMP in Durban, South Africa, Parties made important progress in relation to the land sector. Parties also requested the IPCC to review and update Supplementary Methodologies for estimating emissions by sources and removals by sinks resulting from land use, land use change and forestry activities under Article 3.3 and 3.4 of the Protocol.³ This process is due to be completed in 2013 and forwarded to the CMP for adoption. In discussing priorities and timing for a forward work programme on this agenda item, Parties should consider decisions which may be impacted by the above IPCC process, for example decision 6/CMP.3 relating to Common Reporting Format tables.

Australia welcomes the Secretariat's identification of the need to update decisions to reflect the new land sector rules. Australia notes that while the technical paper identifies a range of issues that must be considered by Parties, it does not provide a comprehensive audit of all issues that must be addressed in order to implement decision 2/CMP.7. For example, newly agreed natural disturbance,

³ 2/CMP.7

as contained in decision 2/CMP.7 paragraphs 1(a) and 33–35 will need to be included in decision texts.

Australia notes the Secretariat's identification of the application of the definition of reforestation, as per decision 16/CMP.1, to a first commitment period. Australia supports updating this to ensure the application of the reforestation definition for a second commitment period, but emphasises that any re-opening of the scope of this definition would be beyond the scope of this agenda item, and the intention of Parties.

VI. Conclusion

Australia thanks the Secretariat for its work identifying technical issues under this agenda item. Australia looks forward to furthering discussions on issues with Parties at the upcoming technical workshop in Bonn.

Australia considers that the technical workshop will form a useful basis from which Parties can approach the development of a comprehensive package of updated decisions to be taken in Doha that shall reflect the decisions made in Durban. As noted above we suggest that Parties identify key areas of priority for the transition to a second commitment period and establish a framework around which these issues can be taken forward.