

SUBMISSION BY CYPRUS AND THE EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION AND ITS MEMBER STATES

This submission is supported by Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, Montenegro and Serbia.

Nicosia, 09/07/2012

Subject: Methodological issues under the Kyoto Protocol: Carbon dioxide capture and storage in geological formations as clean development mechanism project activities (SBSTA) – Submission on the eligibility of transboundary projects and a Global Reserve of CERs

Introduction

1. At SBSTA 36 in Bonn, Draft conclusions SBSTA/2012/L.8 invited Parties to make submissions to the secretariat, by 13 August 2012, on views regarding the eligibility of transboundary projects and for the establishment of a global reserve of CERs. The secretariat will prepare a technical paper on transboundary issues, and this and the submissions will be considered at SBSTA 37. The Durban Decision 10/CMP.7 mandate was with the view of SBSTA forwarding a draft-decision for consideration by CMP8.

The EU welcomes the opportunity to submit its views regarding the eligibility of projects under paragraph 3 of SBSTA/2012/L.8 and looks forward to discussions at SBSTA 37 and COP/MOP 8.

General Comments

2. Transboundary CCS Projects.

The EU would like to refer to its submission from 5 March 2012 on this topic. In cases of CCS projects which involve the transport of CO₂ from one country to another or which involve storage sites that are located in more than one country, the project shall only be eligible under the CDM as long as there is clear assignment of responsibilities and liabilities, and effective accounting for emission reductions and any seepage according to solutions for reporting of cross border CCS projects put forward in the 2006 IPCC Guidelines; notwithstanding that the objective should be to avoid any seepage (in accordance with the modalities and procedures for CCS in the CDM), and hence the enforcement of respective responsibilities and liabilities can be ensured for each phase of the CCS project.

Consideration of any potential transboundary arrangements and obligations, including monitoring, should take account of relevant deliberations underway in other environmental treaties, such as the London Convention and the Convention on Biological Diversity.

With regards to possible dispute resolution mechanisms, if developed these should follow the principles of being effective, transparent, and serve to enhance environmental integrity.

3. Global Reserve of CERs

The EU is not in favour of a global reserve of CERs because:

- A global reserve seems redundant as it would come in addition to the existing project reserve account provisions (5 per cent of the CERs issued) of the CDM registry, established for the CCS project activity for the purpose of accounting for any net reversal of storage.
- A global reserve with no time limit gives no incentive to the operator to manage the site responsibly as, unlike the existing CER reserve, the operator will not have the possibility of getting back CERs from the global reserve for good site management.
- A global reserve will simplify the liability requirements limiting them only to CO₂ effects, while liability should be broader extending to other type of significant damages, such as environmental damage, including damage to ecosystems, other material damages or personal injury, caused by the project activity, including in the post-closure phase.