Climate Commitments and Conundrums: 
Introduction to the UNFCCC And Kyoto Protocol

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UN Framework Convention on Climate Change (UNFCCC)

- Intergovernmental Panel on Climate Change (IPCC)
- First Assessment Report – 1990
- Framework Convention opened for signature – 1992
- Entered into force – 1994 (189 parties)
Key Aspects of UNFCCC

• In force with virtually universal participation (including U.S.)

• Structure and objectives (Article 3)
  – Common but Differentiated Responsibility
  – Precautionary Principle

• Principles and Commitments
  – Annex I nations
  – Conference of Parties (COPs)
  – Subsidiary organizations
Canada pulls out of Kyoto Protocol

CBC News
Posted: Dec 12, 2011 4:00 PM ET
Last Updated: Dec 13, 2011 7:57 AM ET
So what happened?

- What was the Kyoto Protocol?
  - Technically, the Kyoto Protocol was a supplemental agreement within the U.N. Framework Convention on Climate Change
  - Was the most significant international climate change convention that imposed binding emission limits on the nations who ratified it
  - The Kyoto Protocol established important legal mechanisms to help reduce emissions over time
Why Seek a Kyoto Protocol?

• The Kyoto Protocol addressed some of the shortfalls of the UNFCCC
  
  – UNFCCC only established general goals, including a reduction of current greenhouse gas emissions to 1990 levels to help reduce the risk of disruptive climate change.
  
  – Tools: common but differentiated responsibilities, precautionary principle.
UNFCCC’s Shortfalls

• Commitments:
  – All parties:
    • provide emission inventories (including sinks),
    • implement national plans to mitigate climate change, and
    • assist in transfer of technologies
  – Annex I parties:
    • adopt national policies to mitigate climate change “with the aim of” returning to 1990 emission levels;
    • additional funds to developing countries

• Problems:
  – No enforcement
  – 1990 levels not low enough by scientific consensus
Road to Kyoto

- Berlin Mandate, 1995
  - First UNFCCC Conference of Parties (COP)
  - Concluded UNFCCC Articles 4.2(a) and (b) were inadequate
  - Agreed “to begin a process to enable [COP] to take appropriate action for the period beyond 2000” by “strengthening commitments”
  - Essentially, agreed to agree

- Pre-Kyoto Political Maneuvering in U.S.
  - Senate Resolution 98 (1997)
  - President Clinton’s “Rio+5” announcement – “educate the American Public”
  - U.S. negotiation position: 1990 levels by 2008-2012 with future cuts by 2017
Outcome in Kyoto

• Agreement adopted, after much drama and brinksmanship, on Dec. 11, 1997. Ratified in February 2005 after the Marrakesh Accords and Russian approval (Article 25)

• Core concepts:
  – Targets and timetables for binding emission reduction commitments
  – Quantified emissions limitation and reduction objectives (QLROs) for Annex I parties (Annex B to Kyoto)
  – Flexibility mechanisms: joint implementation, emissions trading, Clean Development Mechanism
Kyoto – Emission Limits

• Binding emission limits for developed parties for period 2008-2012
  – Established in Article 3, and described in Annex B
  – Each Party has full discretion on national strategy to reach goal
  – Commitments vary for each party
    • Europe – 8 percent reductions below 1990 levels
    • U.S. – 7 percent
  – Must meet commitment on annual average during commitment period
Kyoto – Emission Limits (cont’d)

• “Economies in Transition”
  – May use a base period other than 1990
  – “Hot Air” Problem

• Basket Approach to greenhouse gases (GHGs)
  – Six GHGs with CO2 equivalent metric
  – For HFCs, PFCs and SF6, can use 1995 as base year
Kyoto – Emissions Limits (cont’d)

• The European Union Bubble
  – Article 4 – Annex I parties can fulfill commitments jointly
  – EU members agreed to collectively meet obligation
  – Burden sharing agreement among themselves

• Land Use and Forestry
  – Controversial – hard to quantify, not permanent, discourage clean energy investment
  – Kyoto (and Marrakesh) limited use: limited to afforestation, reforestation and deforestation since 1990
  – Expanded to agricultural practices in COP-6 (Bonn), but capped by complex formula
  – Parties can add Removal Units (RMUs) to their Allocated Amount or bank them.
Kyoto – Flexibility Mechanisms

• The Kyoto Protocol provides three flexible mechanisms that Annex I parties can use to meet their emission reduction obligations
  – International Emissions Trading
  – Joint Implementation
  – Clean Development Mechanism

• Fundamental question – auction vs. grandfathering?
Kyoto – International Emissions Trading

• Each Party receives an “Assigned Amount,” which can be divided into an “Assigned Amount Unit” (AAU)
  – i.e., right to emit one ton of GHG (CO2e)

• Under Article 17, the Parties can trade AAUs with each other
  – Similar to Acid Rain Trading Program in U.S.

• Pitfalls
  – Must be “supplemental to domestic actions”
  – Risk of overselling (bad faith rent seeking)
Kyoto – International Emissions Trading (cont’d)

- To address these concerns, Article 17 sets out “speed bumps” to unlimited international emissions trading
  - “Commitment period reserve” of 90%
  - Equal to the lower of either 90% of the country’s Assigned Amount, or five times its most recent annual emissions inventory
  - Party cannot enter into trade if it would result in its holdings of AAUs or other Kyoto credits dropping below the reserve level
  - Which countries are most affected by this limit?
Kyoto – Joint Implementation

- Joint implementation also focuses on emissions trading, but from projects

- Straightforward –
  - A sponsor Party enters into transaction with a host Party to undertake project in the host Party’s country, and
  - the sponsor party then transfers a portion of its Assigned Amount to the host Party as Emission Reduction Units
  - the host Party then simply adds the ERUs to its Assigned Amount
Kyoto – Joint Implementation

- Limits on Joint Implementation
  
  - Only among Annex I parties (although “legal entities” can be authorized by Parties to participate)

- “Additionality”
  
  - Built-in incentive – why would host Party hurt itself with ineffective project?
  - Parties must meet basic Article 5 and 7 requirements – national registry for credits, submit annual emissions inventory, national system to calculate emissions

- Two –track system: Track 1 with no external review, or Track 2 with approval from Joint Implementation Supervisory Committee
Kyoto – Clean Development Mechanism

- Clean Development Mechanism (CDM) – allows Annex I Parties to benefit from emission reductions projects in non-Annex I countries
  - CDM has become the primary mechanism to involve developing countries
  - Allow participation by private parties
  - Significant concern – incentives for non-Annex I countries?
Kyoto – CDM Basic Requirements

• Under Article 12, a CDM project must be:
  – “additional”
  – voluntary
  – Approved by each Kyoto Party involved

• More generally, CDM projects should help non-Annex I parties to “achieve sustainable development”

• A share of proceeds must go to CDM for expenses and to provide financial assistance for “particularly vulnerable” developing country parties
Kyoto – CDM Project Cycle

- Heart of CDM: the project approval cycle

- **All CDM projects** must receive third-party verification
  
  - “Designated Operational Entities” – can be private company
  
  - Can use standardized emission baseline inventories

- Project Design Document -- approved by DOE, then by CDM Executive Board

- Then must monitor and retain second (different) DOE to verify reductions. **All Certified Emission Reductions (CERs) awarded on post-hoc basis.**
Kyoto – CDM for Non-Standard Projects

• **Small-scale projects**
  – E.g., renewable energy projects
  – Streamlined approval process

• **Land use and forestry**
  – Only for afforestation and reforestation
  – Time limits – 30 years (or 20-year credits up to 60 years)
  – tCERs (expire at end of commitment period) or ICERs (do not expire, but must replace them if loss occurs)
Kyoto - Compliance

• Transparency and disclosure mechanisms

• Non-compliance
  – Facilitative Branch of Compliance Committee
  – Enforcement Branch

• Quasi-judicial

• Can declare a Party ineligible for flexible mechanisms, adjust emissions inventories, and move credits to next commitment period with 30 percent interest penalty
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