



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

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INTERGOVERNMENTAL PANEL ON
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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
- Organizational Principles
 - Annex I nations
 - Conference of Parties (COPs)
 - Subsidiary organizations



So Why Seek Another Agreement?

- Why isn't the UNFCCC enough? Remember that:
 - UNFCCC established general goals, including a reduction of current greenhouse gas emissions to 1990 levels to help reduce the risk of disruptive climate change.
 - Its tools: common but differentiated responsibilities, precautionary principle.



UNFCCC's Shortfalls

- Tiers of 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
- “Soft” commitments:
 - No enforcement
 - 1990 levels not low enough by scientific consensus



Following Up on UNFCCC

- 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



The culmination – The Kyoto Protocol

- So 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



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





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

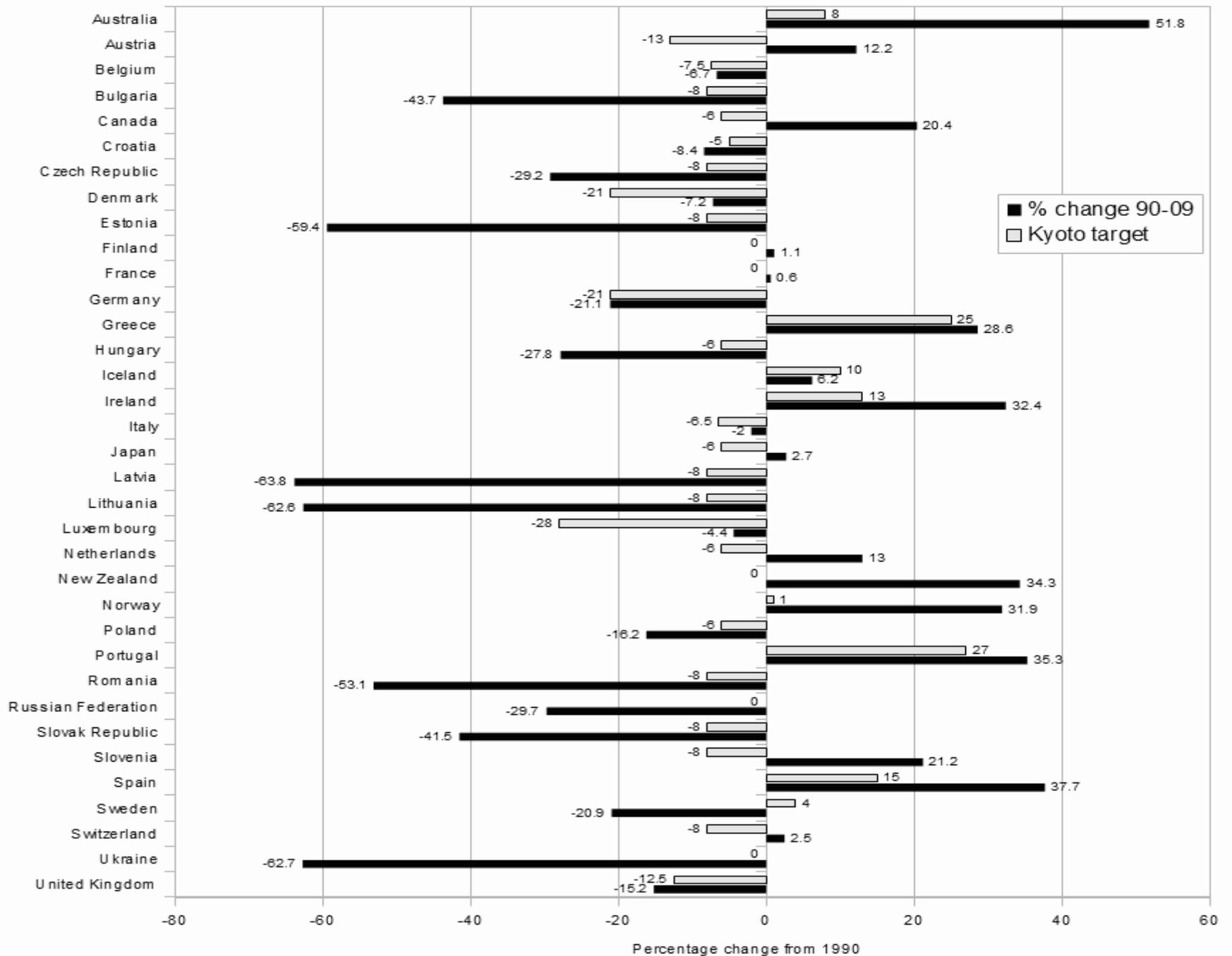
- Small-scale projects
 - E.g., renewable energy projects
 - Streamlined approval process
- Land use and forestry
 - Only for afforestation and reforestation
 - Time limits – 30 years (or 20-year credits up to 60 years)
 - tCERs (expire at end of commitment period) or ICERs (do not expire, but must replace 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

Carbon dioxide emissions from fuel combustion and Kyoto Protocol targets





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