



AUSTRALIA

Views on the Second Review of the Kyoto Protocol under Article 9

Australia considers the second review to be timely and important. Given the broader 'Bali Roadmap' mandate agreed at the Conference of the Parties to the COP-13/CMP-3, the Review should focus on pragmatic improvements to the operation of the Kyoto Protocol that do not cut across the separate post-2012 negotiations.

The outcome of the Review should encompass three strands, namely:

- . To note the areas of broad concern and interest to Parties;
- . To identify areas where the pre-2012 operation of the Protocol could be improved through decision, and to recommend action accordingly; and
- . To identify select areas for possible improvement to the general operation of the Protocol that would require an amendment, but would not conflict with the post-2012 negotiations.

The Review has the scope to enhance the operation of the Protocol through recommending action via a decision of the CMP. While the mandate provided in Decision 4/CMP.3 states that the Review should not lead to new obligations on Parties, the Review may identify specific areas (such as immunities) where an amendment would be required to the Protocol for a pragmatic improvement to the operation of the Protocol to come into effect. In such cases, the Review should recommend to the CMP that a new work stream be established to take forward each specific improvement identified by the Review.

Australia notes that the agreement of Parties on a second commitment period, scheduled to be concluded at CMP-5 in Copenhagen in 2009, will require an amendment to the Kyoto Protocol to take effect. To minimise the requirement for Parties to undertake multiple ratification processes, it is preferable that any amendments identified by the Review for further work by the CMP be timed for completion by CMP-5, for incorporation into the amendment required for a second commitment

period. Any such work should not delay the finalisation of the amendment required for a second commitment period.

Australia's views on the five specific matters suggested for discussion by the Review are as follows.

- . It is important that the international community identify additional means to finance adaptation that are efficient, effective and equitable. However, the suggestion to extend the share of proceeds from joint implementation and emissions trading to assist in meeting the costs of developing country adaptation should not be considered in isolation of the broader discussion on financing adaptation in the post-2012 negotiation in the Convention. Further, the proposal for a levy on emission trading transactions should not be interpreted as applying to transactions within regional or domestic emission trading systems. This matter should be taken up by the Ad Hoc Working Group on Long-term Cooperative Action under the Convention.
- . Australia supports clarifying the relevant procedural elements for inscribing commitments in Annex B of the Kyoto Protocol, so that those countries that wish to contribute to greenhouse gas emission reductions or limitations are afforded a smoother procedural path to do so. This matter should be considered in detail by the Review, including what can be achieved through a decision and what might necessitate an amendment to the Protocol. In doing so, it should be noted that the amendment required to the Kyoto Protocol to establish a second commitment period will require an entry-into-force trigger.
- . It is desirable that immunities be extended for individuals serving on constituted bodies established under the Kyoto Protocol. This will likely require an amendment to the Protocol. The Review should examine this matter in detail.
- . The flexibility mechanisms of the Kyoto Protocol are an important supplementary way for Annex I Parties to meet their commitments. The flexibility mechanisms should continue to tightly focus on the reduction of emissions. The scope of the existing mechanisms should also be broadened to facilitate mitigation in areas that were excluded or limited for project activity in the first commitment period and where opportunities exist for significant abatement. In particular, opportunities exist for the Clean Development Mechanism (CDM) to better contribute to the ultimate objective of the UNFCCC by increasing the amount of CO₂ equivalent removals, including by developing carbon capture and storage CDM methodologies that minimise compliance costs and uncertainty while maximising efficiency and flexibility, and ensuring environmental integrity. These

mechanisms enable Annex I Parties to access cost-effective opportunities to reduce emissions, both domestic in other countries. Expanding the scope of the CDM to some abatement sectors currently not comprehensively covered could facilitate a wider geographical distribution of projects. Sectoral-type approaches under the CDM may go some way to addressing project-based problems and improving regional distribution in a mitigation-effective way. While there is scope to improve the operation of the flexibility mechanisms, much of this debate falls under the scope of the post-2012 negotiations. The Review should focus on pre-2012 improvements that can be achieved through a decision.

Convention Articles 4.8 and 4.10 and Protocol Articles 2.3 and 3.14 recognise that Parties should consider in the implementation of their commitment the situation of all Parties. The policies and measures used by Parties to address climate change can have significant spill-over effects, particularly for those economies that are highly dependant on income generated from the production, processing, and export and/or consumption of fossil fuels and associated energy-intensive products. Parties should take such impacts into consideration when implementing national response policies and measures. While it is appropriate for the Review to note these aspects, the matter of adverse impacts should be taken up more directly in the post-2012 negotiations.

In addition to these five areas, the Review should be open to taking up other matters that could be settled through a decision or that are worth identifying for further consideration by the CMP.

Australia supports the proposal by the European Union that the Review address improvements that can be made to the Review and reporting process, including the operation of the Expert Review Teams. The expert review teams perform a critical role with regard to the annual inventory review of Parties. The second review should address the procedures and guidelines governing the nomination of experts and their selection, training and discharge of duties. The conflict of interest procedures relating to the Expert Review Teams could be made consistent with those adopted for the Compliance Committee.

Individual Parties have canvassed a number of matters as possibly falling into the scope of the Review, including revisiting the base year and establishing the length of the second commitment period, setting an overall ambition for Annex-I emissions reductions for the second commitment period, and addressing the matter of international maritime and aviation emissions. While these are important matters for Parties to the Convention and the Protocol to consider, they are more

appropriately handled elsewhere than the Review. The Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol bears particular responsibility for taking forward work on the second commitment period.