



SUSTAINABLE MARKET SOLUTIONS FOR GLOBAL ENVIRONMENTAL PROBLEMS

Registries - Future Developments Beyond 2012

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**C L I F F O R D
C H A N C E**



Importance of completion of infrastructure

- Affect view of EU ETS globally
- Affect participation in EU ETS
- Consequences for CDM/JI
- No CERs/ERUs available for compliance



Short term issues

- Connection to CITL
- Transfer stuck at status “proposed”
- “Cancelled” transfers still counted



Issues to be considered for EU registries

- Timeliness
- Fiability
- Ability to deliver Kyoto units
- EU ETS ability to function independently
- Ability to link to other systems, including non-Kyoto systems
- Allocation of risk

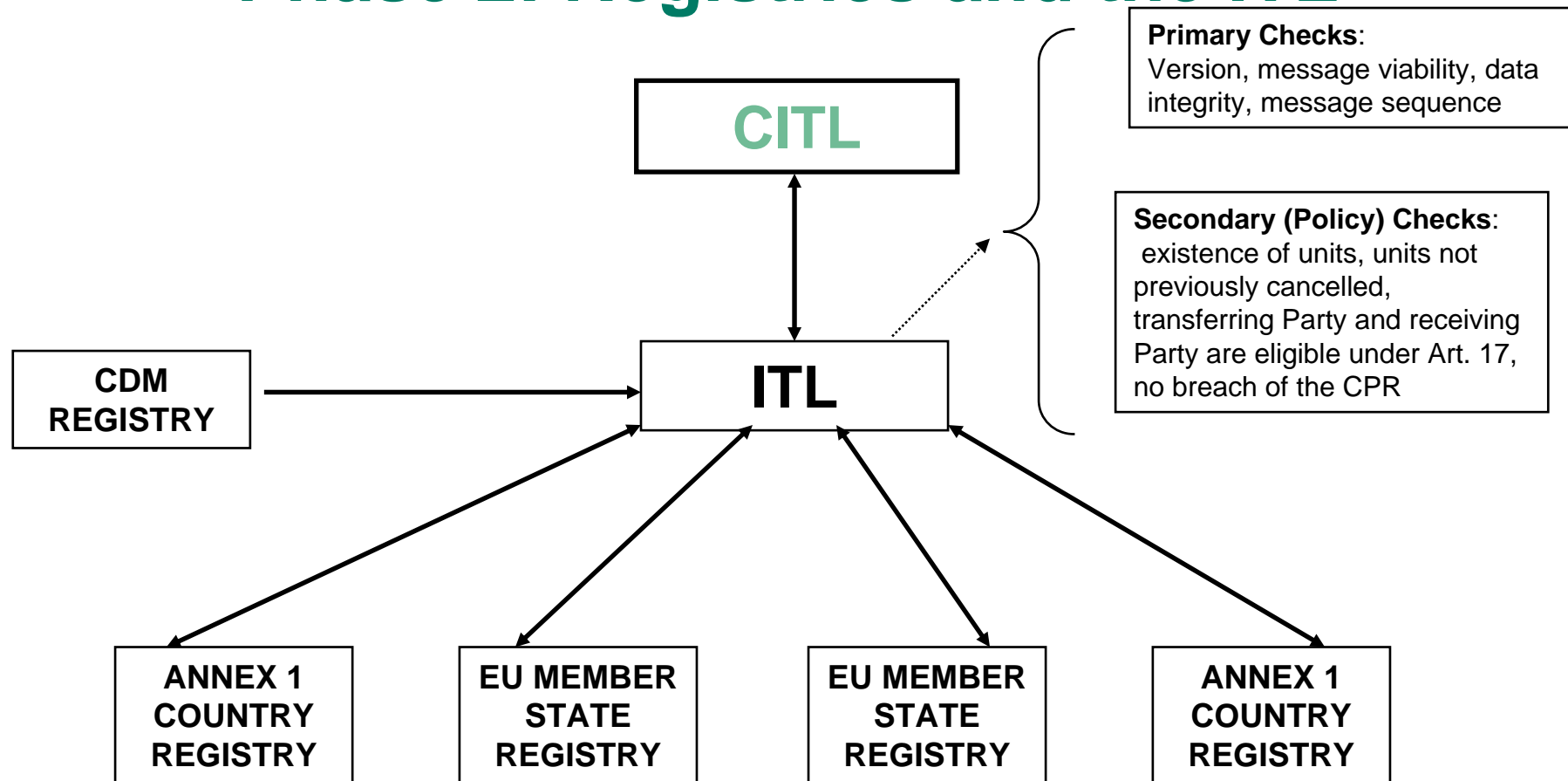


Issues to be considered for EU registries

- The current structure of the registries system leaves a few decisions in the hands of the UNFCCC
 - DES modifications
 - ITL evolution
 - MS connections
- ITL modifications are subject to COP decisions
- Risk allocation
 - Who will be held accountable for ITL transactional troubles?
- Stakeholders are eager for a practical understanding of the linkage between the ITL and CITL



Phase 2: Registries and the ITL





KP registry requirements

- **Decision 19/CP.7 (13/CMP.1)**

The structure and data formats of national registries shall conform to technical standards to be adopted by the COP/MOP for the purpose of ensuring the accurate, transparent and efficient exchange of data between national registries, the CDM registry and the ITL.

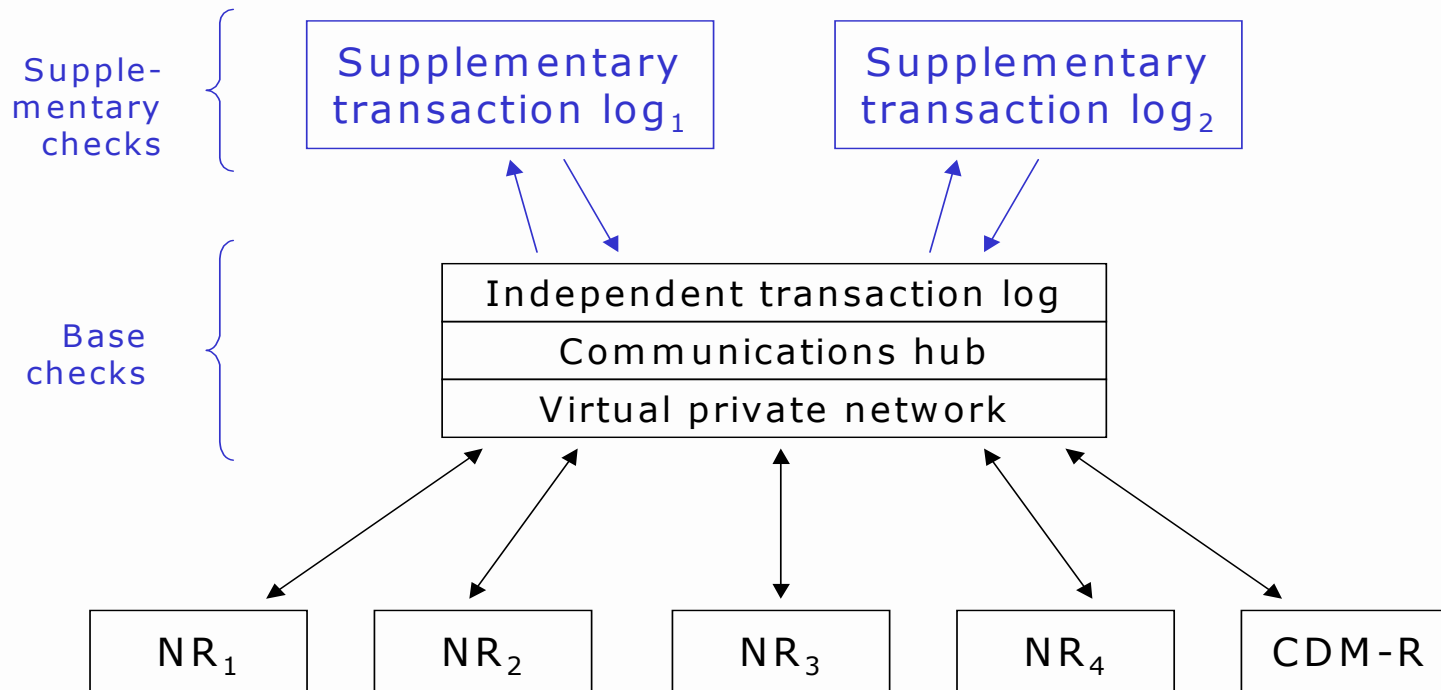
- **Technical standards adopted by Decision 24/CP.8**

“The interface between registries shall operate through a central communications hub integrated with the [international] transaction log”



Central communications hub

Registries, the ITL and STLs





Functions of a registry

Not exclusive to EU ETS functions:

- Account management - creation of accounts and recording emissions (KP)
- Internal & External Transfers (KP)
- Surrender - operator compliance
- Retirement - Member State compliance (KP)
- Cancellation, Retirement & Carry-over (KP)
- Reconciliation - between CITL & ITL (KP)

Otherwise, registries can be designed as chosen.

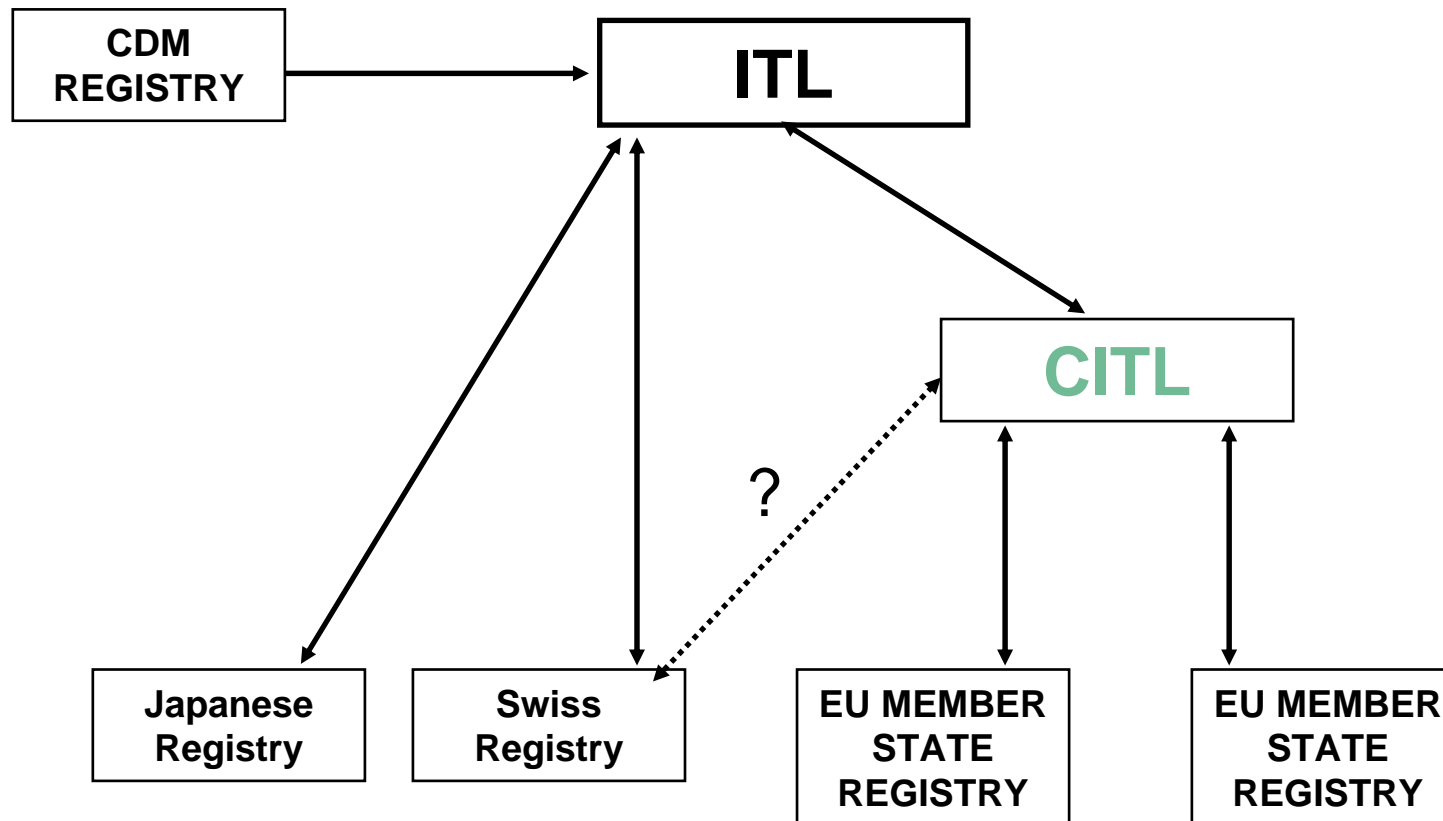


The CITL is a Kyoto STL

The role of the STL is “to monitor and verify the validity of transactions proposed by their national registries, where transactions are subject to the rules of national or regional trading schemes *which operate in a manner consistent with the accounting of Kyoto Protocol units.*”



Phase 3: Single connection?





Issues for Phase 3 single connection

- Will there be a 2nd KP Commitment period?
- If no:
 - Continued link to ITL for CDM credits ✓
 - Continuation until true-up period in 2015 ✓
 - The need for compliance with the DES ✓
 - **Will cause constraints on what can be done.**
- If yes:
 - All of the above, but
 - DES can be modified
 - But will also need to modify Decision 24/CP.8



Phase 3 - Linking to other schemes

- IF EC had a single connection to ITL, would other schemes connect to both ITL and CITL?
- Depends on other scheme unit?
- If not a KP unit or Kyoto Party why need to go via the ITL?



Single connection with ITL?

■ Advantages

- More simplicity
- Efficiency
- Preserves limited independence of member states and delivery points

■ Disadvantages

- Risk allocation
- Amendment to COP/MOP decision will need multiparty support
- Cannot be severed before 2015



Single European registry?

■ Advantages

- Simplicity
- Harmonisation
- Efficiency
- Reduced decision making time/bureaucracy/costs

■ Disadvantages

- No alternate delivery points
- Further, bureaucracy (language, veto rights of member states)
- CPR?
- Single legal approach to all Kyoto credits?
- How will such credits be dealt with in insolvency?
- Surrendering?



IETA views & recommendations

- Short term – get the system going by Dec 1, 2007
- IETA supports any outcome that will allow to implement “best solution” with the parameters
 - Have the EU ETS shielded from climate change negotiations uncertainties
 - Ability to expand to non Kyoto covered sectors and link to non-Kyoto systems
 - Deliver CERs/ERUs in time



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