

CERs: for the credits earned through the CDM, banking is limited to 2.5% of a Party's initial assigned amount¹¹.

ERUs: for the credits earned through JI activities, banking is limited to 2.5% of a Party's initial assigned amount.

AAUs: there are no limits to the banking of AAUs.

As a result to these restrictions and to hedge the risk of any entity losing its credits towards the end of the commitment period, an entity or a party would retire those credits with restrictions first in order to demonstrate compliance.

2. National Registries and The Transactions Log

2.1 National Registries

As part of the participation requirements for the Kyoto mechanisms, all Annex I parties must establish their national registries, which is a standardized electronic database under a designated national authority to ensure the accurate accounting of the issuance, holding, transfer, acquisition, cancellation, retirement of all units and the carry-over of ERUs, CERs and AAUs. Each of these emission units, namely AAUs, RMUs, CERs and ERUs shall be held in only one account in one registry at one time.

As part of the national registry, each Party shall have at least one:

- Party level Holding account: this account is mainly designed to hold AAUs, RMUs CERs and ERUs prior to transfer to another account.
- Entity level Holding account: for each legal entity authorised to hold AAUs, RMUs CERs and ERUs.
- Retirement account for each commitment period: Parties will transfer AAUs, RMUs CERs and ERUs into this account for the purpose of demonstrating compliance.
- Cancellation account for each commitment period for:
 - sinks projects that result in net emissions of GHGs,
 - for cancelling emission units if a Party is not in compliance with its commitments from the previous commitment period, and
 - for other, philanthropic reasons.

2.2 The Transactions Log

All transactions involving the AAUs, CERs, ERUs, and RMUs will be recorded by the transactions log. This is an automated electronic database to be monitored by the UNFCCC Secretariat, which will verify the validity of all transactions undertaken by national registries. Prior to the completion of any transaction, the initiating Party must submit a record of the proposed transaction to the transaction log for an automated

¹¹ Canada's initial assigned amount is 94% of its 1990 GHG emissions inventory.