

**SUBMISSION BY GERMANY ON BEHALF OF THE EUROPEAN  
COMMUNITY, ITS MEMBER STATES AND BULGARIA, CROATIA,  
CZECH REPUBLIC, ESTONIA, HUNGARY, LATVIA, LITHUANIA,  
POLAND, SLOVAK REPUBLIC AND SLOVENIA  
ON**

**EMISSIONS TRADING (ART. 17 KP)**

With the Buenos Aires Plan of Action, COP4 decided on a work programme on the mechanisms with a view to taking a decision at COP6. According to Article 17 of the Kyoto Protocol (KP) the Conference of the Parties (COP) shall define the relevant principles, modalities, rules and guidelines, in particular for verification, reporting and accountability for emissions trading.

In addition to previous position papers tabled, the European Community, its Member States and Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic and Slovenia have prepared a revised first proposal on principles, modalities, rules and guidelines for emission trading hoping that it can serve as an input for the discussion amongst all Parties.

The EU and the above Parties recall their position that a concrete ceiling on the use of the Kyoto mechanisms should be defined in quantitative and qualitative terms based on equitable criteria. In the view of the EU and the above Parties, a properly defined ceiling will encourage Annex B Parties to develop strong domestic policies and measures in order to modify long term emission trends, the technological structure, especially long-lived infrastructure, and production and consumption patterns. Thereby it will also contribute to preparing the path for more ambitious commitments in the second and subsequent commitment periods. Such a ceiling should also contribute to limiting the displacement of domestic action by "hot air".

The above Parties recognise that there are different ways of approaching the definition of complementarity, taking into account inter alia the uncertainty that still exists on the structure of the Kyoto mechanisms. In order to provide a basis for further negotiations with other Parties whom we urge to join us in this endeavour, we propose a definition for such a ceiling in para 2 of this submission.

The proposal from the above Parties on principles, modalities, rules and guidelines for emission trading does not yet cover all of the issues that we believe need to be addressed. We suggest that those questions dealing monitoring, verification and accountability as well as national registries could be elaborated on in an appendix to these principles, modalities, rules and guidelines.

Different options for compliance provisions are mentioned in para 10 of this paper. We note that those options are not mutually exclusive and look forward to discussing them with other Parties. Other issues that we would like to discuss are included.