

FINAL VERSION

- FOR DELIVERY

STATEMENT BY UNITED KINGDOM
ON BEHALF OF THE EUROPEAN
COMMUNITY AND ITS MEMBER STATES

(Bonn, 2-12 June 1998)

SBSTA 3 - Agenda item 8(d)

SBI 3 - Agenda item 8(d)

EMISSIONS TRADING

The United Kingdom, on behalf of the European Community and its Member States, notes that paragraph 5(b) of Decision I/CP.3 identifies as an issue for prompt consideration by the Conference of the Parties the "definition of relevant principles, modalities, rules and guidelines, in particular for verification, reporting and accountability of emissions trading, pursuant to Article 17 of the Protocol."

The EU considers that, before ratification, satisfactory progress on a number of outstanding issues is necessary, particularly with regard to the operation of flexible mechanisms such as emissions trading, to ensure that these provide real, cost effective and verifiable environmental benefits and do not create loopholes that undermine the objectives of the Protocol.

The EU believes that international emissions trading should be subject to appropriate rules, modalities and guidelines, and that progress should be made in their development at the Fourth Conference of the Parties in Buenos Aires in November 1998. These rules, modalities and guidelines should ensure that real emission reductions are delivered at lower cost and that the trading of "hot air" should not lead to overall reductions being lower than would otherwise be the case.

The EU would like to stress the importance of modalities, rules and guidelines for the operation of flexible mechanisms under the Protocol being consistent with each other. We would further stress that domestic action should provide the main means of meeting the commitments under Article 3 and that the modalities, rules and guidelines should ensure that those mechanisms do not undermine this principle or weaken those commitments. In this context, the EU welcomes the provision in the Protocol that emissions trading shall be supplemental to domestic action and believes that, to achieve these aims, a concrete ceiling on the use of flexible mechanisms should be defined.