



# **The Doha Amendment: ratification progress and potential implications for credit demand**

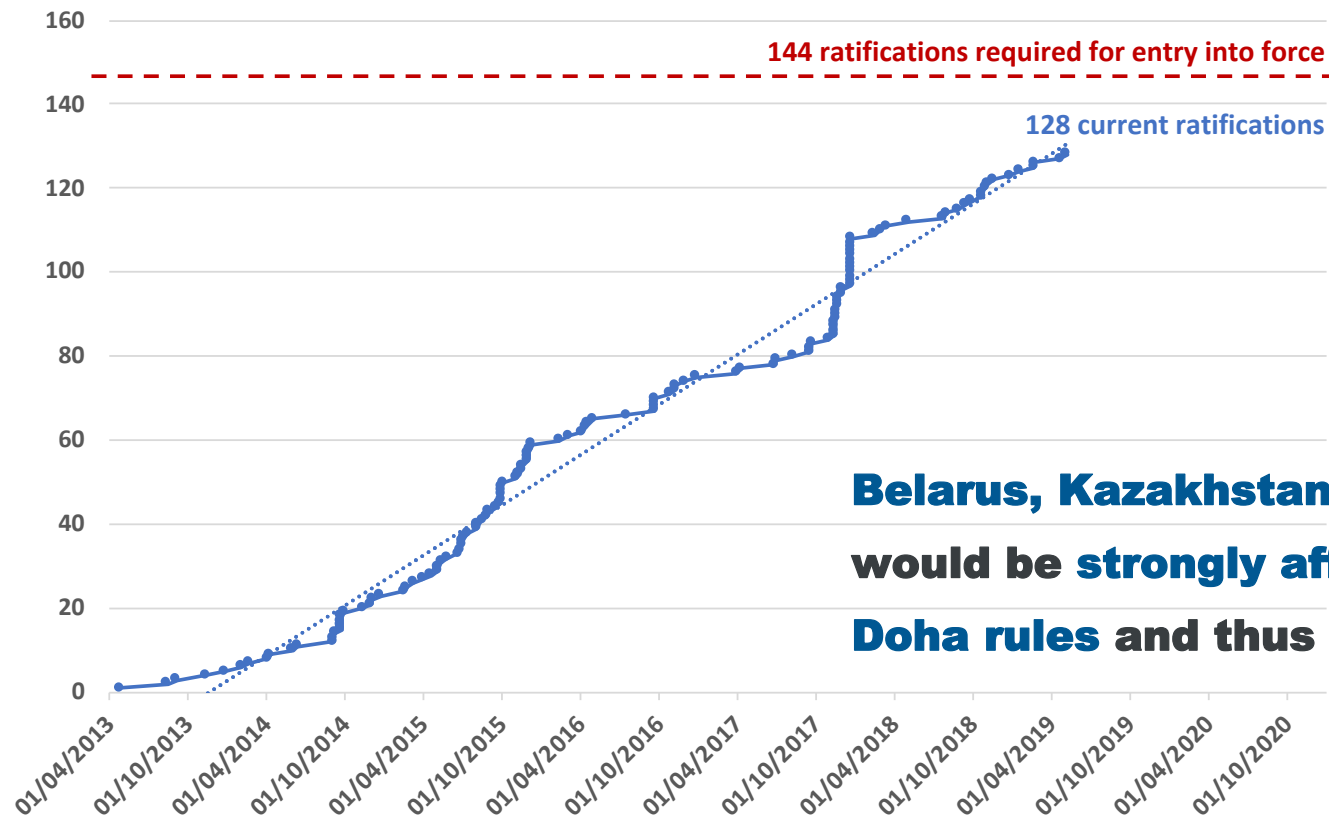
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# Doha Amendment ratification progress



**Only 16 countries are missing to reach threshold**

**Belarus, Kazakhstan and Ukraine would be strongly affected by the Doha rules and thus have not ratified**

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## **Doha Amendment defines rules for KP CP2 (2013-2020)**

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- **Carry-over of surplus CP1 units severely limited**

- Surplus CP1 units go to Previous Period Surplus Reserve (PPSR) and can only be used for compliance against emissions **above** quantified emission limitation or reduction commitment (QELRC)
- CER/ERU surplus carry-over is **capped at 2.5%** of initial AAUs of CP1

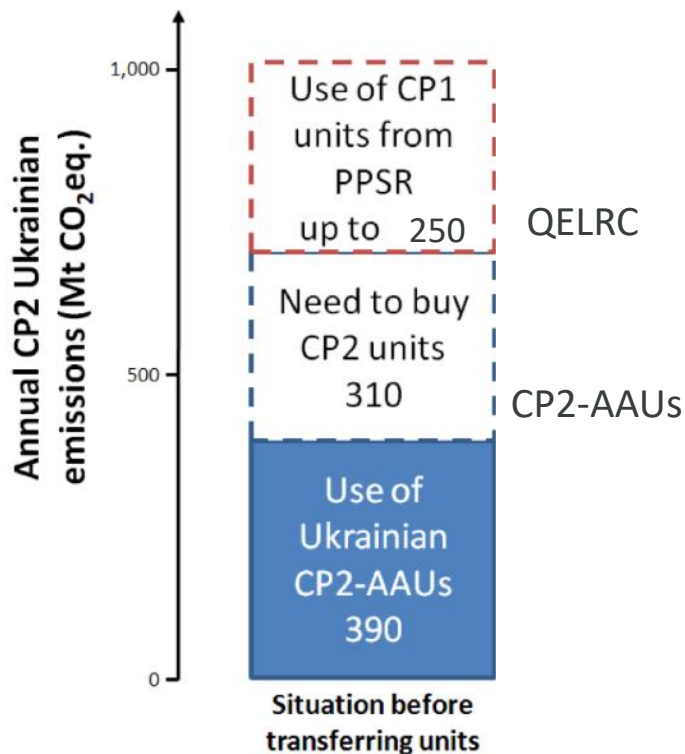
- **Trading of units from CP1 severely limited**

- Trade of units from PPSR is possible only between countries participating in CP2, and the **buyer can only purchase surplus up to a limit of 2%** of its own CP1 initial assigned amount

- **Prevention of creation of new “hot air”**

- Positive difference between CP2 AAUs corresponding to QELRC and average emissions in 2008-2010 is to be **cancelled**

## Example: impact of Doha Amendment on Ukraine



- If average 2013-2020 emissions exceed average 2008-2010 emissions, Ukraine has to buy units
- PPSR can only be used to compensate for emissions above QELRC (unrealistic)
- Selling CP2 ERUs further tightens the carbon budget
- The only way to take advantage of PPSR is to strengthen the CP2 target

**Source:** Morel, Romain (2013): How the negotiators tackled the “hot air” issue for the second commitment period of the Kyoto Protocol. CDC Climat [http://www.cdcclimat.com/IMG/pdf/13-02-12\\_analysis\\_-\\_ukraine-4.pdf](http://www.cdcclimat.com/IMG/pdf/13-02-12_analysis_-_ukraine-4.pdf)

# Potential impact of Doha Amendment entry into force

(figures in thousand tCO <sub>2</sub> e)	CP2 target vs base year (QELRC)	CP2 target after Doha rules applied	Estimated CP2 emissions*	CP2 AAUs (after Doha rules)	CP1 carry over (all units)	Total CP2 usable units	Surplus / deficit
Australia	-0.5%	-0.5%	4 343 979	3 343 998	149 466	3 493 464	-850 515
Belarus	-12,0%	-36,0%	738 499	713 083	0	713 083	-25 416
European Union	-20.0%	-20.0%	34 582 157	36 174 398	4 325 436**	40 499 834	5 917 677
Iceland	-20.0%	-20.0%	37 395	23 259	0	23 259	-14 137
Kazakhstan	-5,0%	-29,0%	2 659 601	2 200 240	0	2 200 240	-459 361
Liechtenstein	-16.0%	-16.0%	1 573	1 541	43	1 584	11
Norway	-16.0%	-16.0%	426 766	347 404	18 989	366 393	-60 373
Switzerland	-15.8%	-15.8%	389 448	358 328	7 629	365 957	-23 491
Ukraine	-24,0%	-58,0%	2 782 503	3 182 771	2 001 641	3 182 771	400 268

- Doha affects CP2 targets for BL, KZ and UA; for BL and KZ it is **critical**
- UA effectively **cannot** use CP1 carry over due to Doha rules
- Iceland fulfils its commitment **together with the EU** (KP Article 4)
- **AU, NO and CH** have **deficits** of 850 Mt, 60 Mt and 23 Mt respectively

\*Assuming 2017-2020 annual emissions are at the level of 2016 (last available inventory year)

\*\*Including EC registry

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# Conclusions

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- **Entry into force of Doha Amendment is getting closer, at current speed likely before end of 2019**
- **Doha Amendment severely limits trading of CP1 and CP2 units from "hot air"**
- **The entry into force of the Doha Amendment may generate new demand for Kyoto units of almost 1 billion t CO<sub>2</sub>e from Australia, Norway and Switzerland**

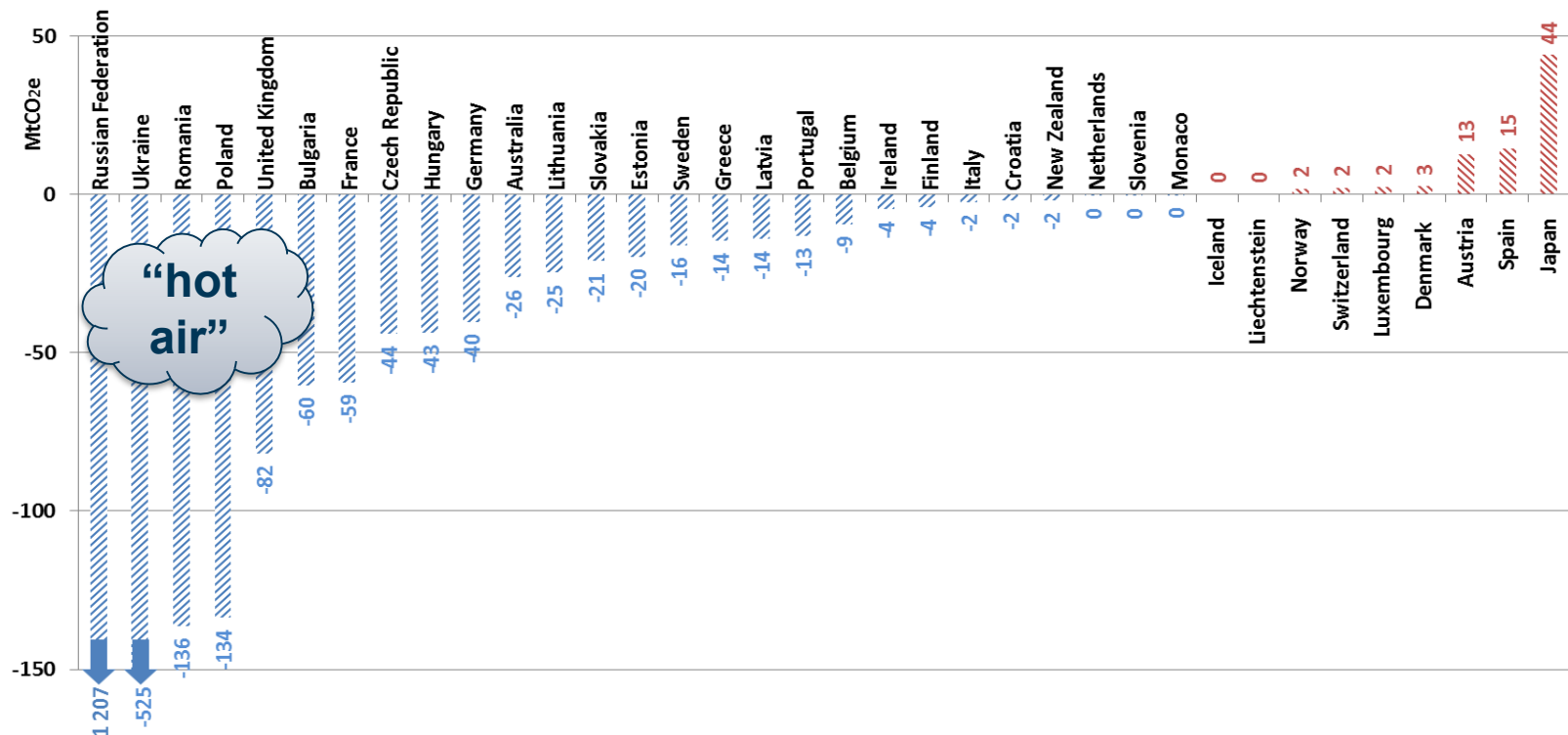


**Thank you!**

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# Absolute difference between the average annual domestic emissions in 2008–2012 and respective Kyoto targets



**Source:** Shishlov, Igor; Morel, Romain; Bellassen, Valentin (2016): *Compliance of the Parties to the Kyoto Protocol in the first commitment period*. Climate Policy, 16:6, 768-782 <http://bit.ly/1S2656j>