

H.E. Mr. Pál Kovács
Minister of State for Climate Change and Energy
Fő utca 44-50
1011 BUDAPEST, HUNGARY

ENVIRONMENT COUNCIL MUST TACKLE GIGANTIC KYOTO-UNIT SURPLUS

4. October 2012

Dear Minister,

Current Kyoto Protocol rules allow countries to carry over fully their remaining Kyoto emission units (AAUs) from the first to the second Kyoto commitment period. This surplus is estimated to amount to more than 13 billion tonnes of CO₂-equivalent and is over a thousand times higher than expected demand according to a new independent study (Point Carbon, see below). The surplus is expected to grow to close to 17 billion CO₂-equivalent during the second commitment period due to the inadequate reduction commitments undertaken by Parties to the Kyoto Protocol.

The total AAU surplus in the EU from the first commitment period is estimated to be over 4 billion. Hungary is expected to have a surplus of 204.5 million.

The second Kyoto commitment period is also expected to be severely oversupplied. Because of that, the surplus from the first commitment period will have little or no financial value, with AAU prices expected to fall to nearly €0 EUR/tonne.

The unrestricted carry-over of the AAU surplus will threaten the success of a future climate deal. It is difficult to see how the EU could convince developing countries to commit to meaningful emission cuts if our own reduction commitments are so weak and such large loopholes remain.

A solution must be agreed at the UNFCCC climate negotiations in Doha (COP-18) at the end of this year. If not, the existing rule that allows full carry-over will apply by default. At the UNFCCC negotiations in Bangkok in August 2012, the G-77 and China presented a proposal to effectively contain and minimize the use of these surpluses.

The G-77 proposal meets all the requirements that the EU stipulated in the Council conclusions of March 2011 in order to commit to a second commitment period under the Kyoto Protocol. If the EU wants to be taken seriously when it claims that environmental integrity is a key condition for participating in a second commitment period under the Kyoto Protocol it needs to commit to a position consistent with this requirement.

The EU treaties clearly state that the Council "shall act by a qualified majority" both for general measures (Article 16(3) TEU) and in particular "throughout the procedure" when entering into new international agreements such as those under United Nations Framework Convention on Climate Change (UNFCCC) (Article 218(8) TFEU).

In accordance with the treaties, the Council of Ministers may adopt its position on a solution by a qualified majority at the next Environment Council on 25 October 2012. Consensus among all 27 delegations is not required.

In particular, the signatory organisations to this letter urge you to:

- Support a common EU position on the G-77 proposal as it currently stands, without weakening it. It is of particular importance that the EU supports the cancellation of the first commitment period surplus at the end of the second commitment period and the elimination of a possible surplus in the second commitment period.
- Declare that Hungary will not use AAUs for compliance during the second commitment period of the Kyoto Protocol
- Declare that Hungary will not acquire Joint Implementation credits from JI projects in countries that have not signed up to a second commitment period.

Without urgent and effective leadership by the European Union, the chances of avoiding catastrophic global climate change will slip significantly further from our grasp.

The signatories:

Eva Filzmoser, Programme Director, CDM Watch



Tony Long, Director, WWF European Policy Office



Additional information

Carry-over of AAUs from CP1 to CP2 –Future Implications for the Climate, by Thomson Reuters Point Carbon, September 2012.

<http://bit.ly/AAUsurplusPointCarbon>

The Phantom Menace: An introduction to the Kyoto Protocol Allowances surplus. CDM Watch and CCAP Policy Brief: July 2012.

<http://bit.ly/SurplusPhantomMenace>