

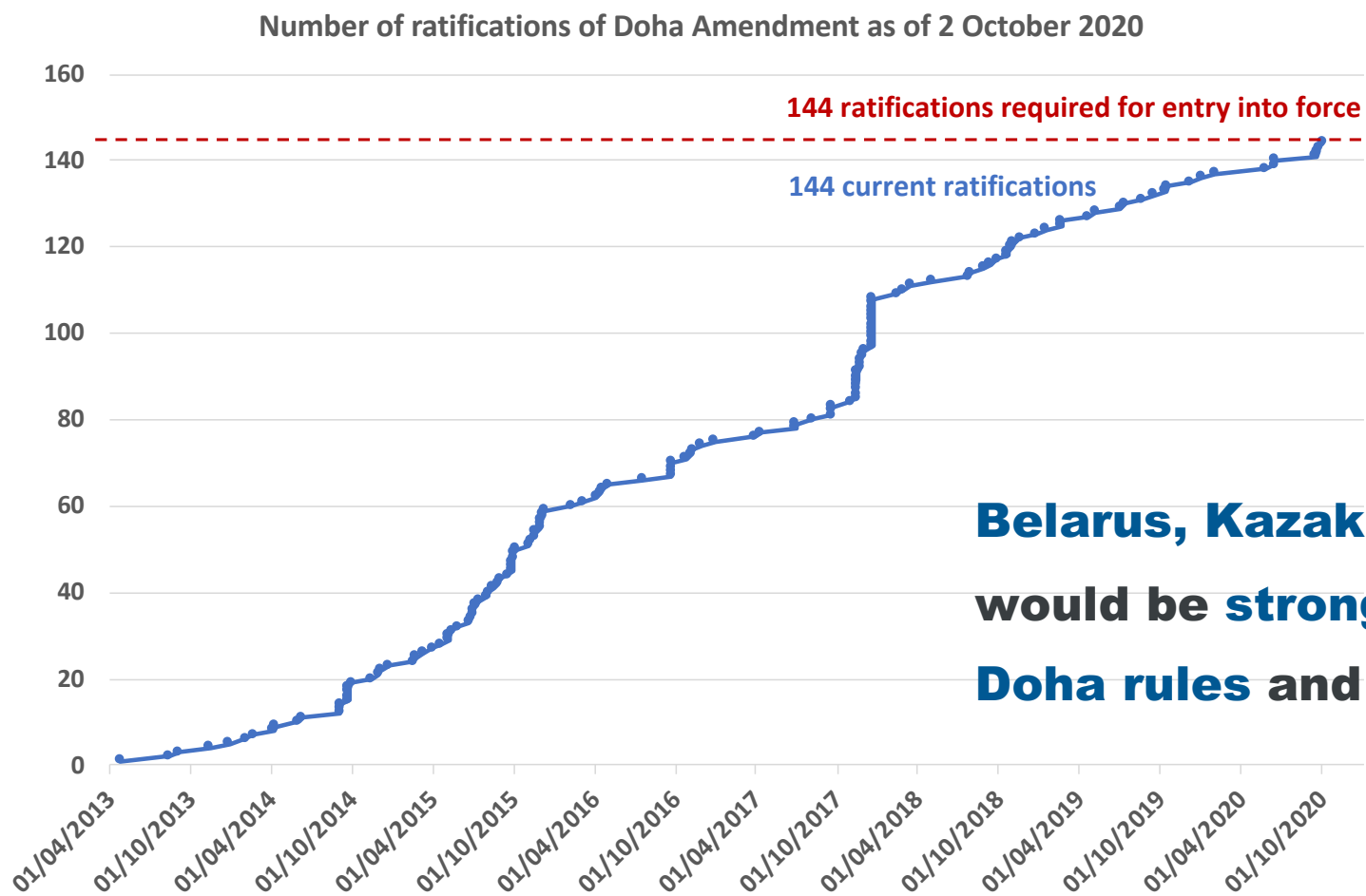


The Doha Amendment: ratification status and implications for credit demand

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Doha Amendment ratification status



Doha Amendment entry into force threshold was reached on 2 October 2020 with a ratification by Nigeria

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

Source: Based on https://treaties.un.org/pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XXVII-7-c&chapter=27

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

- **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

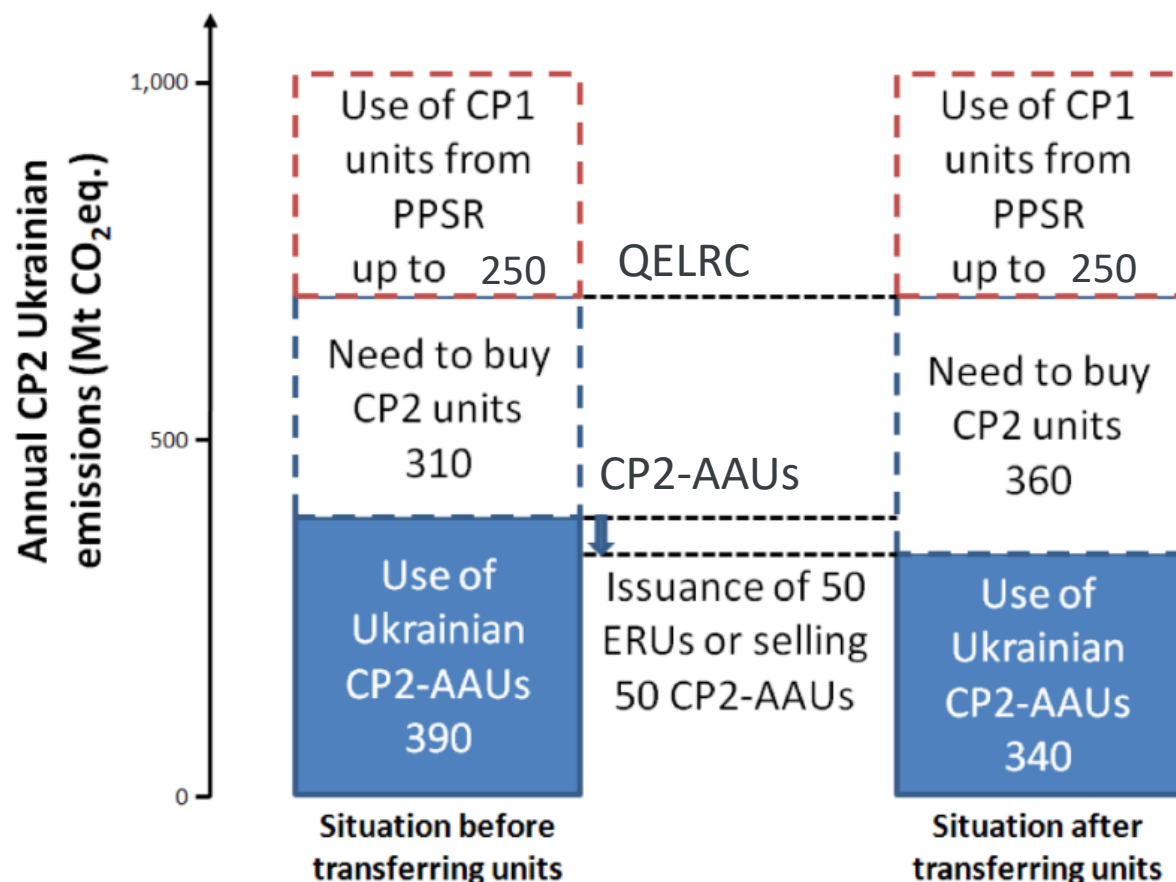
- **Trading of units from CP1 severely limited**

- 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://eic-ano.ru/en/publications/analysis/download/Analysis_Ukraine.pdf

Potential impact of Doha Amendment (incl. LULUCF)*

	CP2 target vs BY	CP2 target after DA	Estimated CP2 emissions	CP2 AAUs	CP1 carry over	Total CP2 usable units	Surplus/deficit
Australia	-0,5%	-0,5%	4 260 290	4 916 502	149 466	5 065 968	805 677
Belarus	-12,0%	-36,0%	537 249	600 071	-	600 071	62 822
European Union	-20,0%	-20,0%	32 031 358	34 618 567	3 147 047	37 765 614	5 734 255
Iceland	-20,0%	-20,0%	110 382	83 689	-	83 689	- 26 693
Kazakhstan	-5,0%	-29,0%	2 937 921	2 193 911	-	2 193 911	- 744 010
Liechtenstein	-16,0%	-16,0%	1 674	1 581	43	1 624	- 50
Norway	-16,0%	-16,0%	238 294	277 989	18 989	296 978	58 684
Switzerland	-15,8%	-15,8%	372 083	349 223	7 629	356 852	- 15 231
Ukraine	-24,0%	-58,0%	2 730 840	2 966 479	2 001 641	2 966 479	235 639

Parties whose CP2 targets are affected by Doha decisions

Parties that cannot use CP1 carry over in CP2 according to Doha rules

Parties with deficit of usable CP2 units after the application of Doha rules

- Doha affects CP2 targets for BL, KZ and UA; for BL and KZ it is critical
- Ukraine effectively cannot use CP1 carry over in CP2 due to Doha rules
- Iceland and Liechtenstein fulfil their commitment together with the EU
- Switzerland has a deficit of 15 Mt and will have to purchase units

Conclusions

- **Doha Amendment ratification threshold was reached on 02/10/2020**
- **Doha Amendment will thus enter into force on 31/12/2020**
- **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 15 million t CO₂e from Switzerland**
- **Australia "escapes" a large deficit of units due to LULUCF accounting rules under the KP**