



Suspending carbon trade by the UNFCCC is disrupting carbon markets

Statement

On Saturday 27 August the UNFCCC announced the suspension of Romania's participation in international carbon markets. Ukraine may face similar sanctions in October. The UNFCCC suspended these countries after concluding that they are not in compliance with the Kyoto Protocol's reporting requirements on national emissions. The JI Action Group (JIAG), a group of carbon project developers, believes this is a disruptive way to ensure the environmental integrity of the Kyoto Protocol.

As a result of a suspension, Romania cannot trade Assigned Amount Units (AAUs) and Track 1 ERUs until the UNFCCC decides to lift the suspension, taking effect immediately. This also blocks the transfer of EU Allowances (EUAs) under the EU ETS from and to Romania since this trade is based on the transaction of AAUs.

The sanctions applied are problematic for market participants in Romania and those dealing with Romania and Romanian companies. Country-wide suspension of carbon trading is a disruptive measure which undermines confidence in the carbon market. Furthermore the date at which the ban is lifted is not defined, adding to the market uncertainty.

Drawing a parallel with the financial markets, the suspension is similar to freezing everyone's personal bank accounts because a bank has got behind on its reporting requirements to the central bank. Everybody agrees that such a measure would be very disruptive and would undermine the trust people have when depositing their own savings.

JIAG calls upon the Parties to the Kyoto Protocol:

- to provide the Compliance Committee with a more appropriate set of sanctions which reflects the gravity and frequency of non-compliance and takes into account the importance of a well operating carbon market; and
- to review the compliance procedures ensuring that sanctions are applied in a fair and equal manner on all Parties.

About JIAG

The Joint Implementation Action Group (JIAG) is a consortium of JI practitioners developing projects expected to generate more than 100 millions of tonnes of greenhouse gas emission reductions. The JIAG is a forum of like-minded companies that have agreed to join forces.

The group provides a voice for the interests of JI within and outside of the UNFCCC context. We promote JI in its current form giving feedback to the JISC or the Conference of Parties/Meeting of the Parties (COP/MOP) on functioning of JI. We also contribute to the future of the mechanism by actively participating in the discussion of the role of JI in a post-2012 regime. Our activities include organising side events at Subsidiary Body for Scientific and Technological Advice (SBSTA) and COP/MOP meetings and publishing articles and position papers.

For more information on the JI Action Group, please refer to: <http://www.jiactiongroup.com>.