



COMMISSION OF THE EUROPEAN COMMUNITIES

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Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**for a monitoring mechanism of Community greenhouse gas emissions and the
implementation of the Kyoto Protocol**

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. JUSTIFICATION FOR THE PROPOSAL

1.1 General considerations

This proposal for a Decision regarding a monitoring mechanism of Community greenhouse gas emissions and the implementation of the Kyoto Protocol will replace Council Decision 93/389/EEC for a monitoring mechanism of Community CO₂ and other greenhouse gas emissions¹, which established a mechanism for monitoring anthropogenic greenhouse gas emissions and evaluating progress towards meeting commitments in respect of these emissions.

The aims of the revision of Decision 93/389/EEC are to:

- reflect in the Monitoring Mechanism reporting obligations and guidelines for the implementation of the UN Framework Convention on Climate Change (“UNFCCC”) and the Kyoto Protocol, on which the political agreements and legal decisions were taken at the seventh Conference of the Parties (“COP7”) in Marrakech;
- provide for further information on emission forecasts at Member State and Community-level, and harmonisation of these emission forecasts, in the light of experience with the current Monitoring Mechanism; and
- to address reporting requirements and implementation relating to the "burden-sharing" between the Community and its Member States.

The European Community ratified the Kyoto Protocol on 31 May 2002, pursuant to Decision 2002/358/EC². This proposal will help the Community and the Member States comply with reporting requirements under both the UNFCCC and the Kyoto Protocol and in general enhance the timeliness, consistency, accuracy, completeness, transparency and comparability of reported information.

The Monitoring Mechanism Decision 93/389/EEC provides for the detail of obligations to be implemented through guidelines adopted by comitology, taking account of the rather technical nature of the agreed UNFCCC guidelines. This proposal makes similar provision, although it is considered appropriate to provide for a number of more important provisions in the decision itself. In order to limit the reporting tasks of Member States, under the new reporting requirements, only data that is of interest at Community level will have to be provided.

In addition, adjustments will be made to the frequency of data submission. Following the structure of the Kyoto Protocol and the related UNFCCC guidelines, different reporting requirements will be addressed by distinguishing annual and periodical reporting obligations. Member States’ Climate Change programmes and projections do not change on an annual basis and it is therefore proposed to shift the annual reporting to periodical reporting.

¹ OJ L 167, 9.7.1993, p.31. Decision as amended by Decision 99/296/EC (OJ L 117, 5.5.1999, p.35) [and Regulation (EC) xxxx/2002 (OJ L xxx, x.x.2002, p.x)].

² Decision 2002/358/EC concerning the approval, on behalf of the European Community, of the Kyoto Protocol to the United Nations Framework Convention on Climate Change and the joint fulfilment of commitments thereunder (OJ L 130, 15.5.2002, p.1).

However, more detailed provisions are included on the type of projections because experience with the current provisions has shown the need for more comprehensive and detailed data in this area.

Decision 93/389/EEC has already been substantially amended by Decision 99/296/EC. The extensive further amendments proposed to Decision 93/389/EEC widen its scope to cover areas including registries, flexible mechanisms and co-operation in procedures under the Kyoto Protocol. For these reasons, in the interest of increased clarity and transparency it is considered appropriate to replace it, rather than to amend it. This will provide interested parties with a single clear and coherent legislative act, instead of making isolated changes to the existing Decision.

A correlation table is annexed to the proposal.

1.2 Environmental objectives to be achieved

Article 2 of the EC Treaty provides that one of the Community's tasks shall be the promotion of a high level of protection and improvement of the quality of the environment. For this purpose, the Community is required to include a policy in the field of the environment (Article 3 (l) of the EC Treaty). This policy should contribute to the pursuit of the following objectives:

- preserving, protecting and improving the quality of the environment;
- protecting human health;
- prudent and rational utilisation of natural resources;
- promoting measures at international level to deal with regional or world-wide environmental problems.

2. CHOICE AND JUSTIFICATION OF THE LEGAL BASE

The proposal aims to implement further the objectives of the Community environmental policy defined in Article 174 of the EC Treaty. Therefore, the proposal is based on Article 175(1) (co-decision procedure) of the Treaty, which is the specific legal base for the Community's policy in the field of the environment and upon which Council Decision 93/389/EEC is based.

3. SUBSIDIARITY AND PROPORTIONALITY

3.1 Objectives of the proposed action in relation to the obligations of the Community

Under Article 2 of the EC Treaty, the one of the Community's tasks is the promotion of a high level of protection and improvement of the quality of the environment.

3.2 What is the Community dimension of the problem?

The Community is party to the Kyoto Protocol as are the Member States. In decision 2002/358/EC Member States agreed to fulfil their obligations under the Kyoto Protocol jointly and agreed on different emission limitation/reduction targets for each Member State, thereby contributing to the fulfilment of the overall compliance of the Community with the international legally binding commitments.

3.3 What is the most effective solution, comparing the means of Member States and the Community?

As a party to the UNFCCC and the Kyoto Protocol, the Community has to take action in order to be able to comply with its reporting obligations thereunder. The main responsibility for the reporting of annual emissions will stay with the Member States. In order to limit the reporting tasks of Member States, under the new reporting requirements, only data that is of interest at Community level will have to be provided.

3.4 What would be the cost of inaction by the Community?

Inaction by the Community would mean that the Community would not be in a position to comply with its international reporting obligations, which would result in a loss of credibility for the EU in international negotiations on addressing climate change.

3.5 Which instruments does the Community have available in order to meet the objectives?

In order to comply with its reporting obligations, the Community needs timely, complete, consistent and accurate annual reporting from Member States.

3.6 Proportionality

At the time of the adoption of Decision 93/389/EEC, Community action in this area in the form of a Directive was considered proportionate to the objective pursued. The aim of the proposal is to replace Decision 93/389/EEC.

4. COSTS OF IMPLEMENTING THE PROPOSAL FOR MEMBER STATES

Member States have brought into force the laws, regulations and administrative provisions necessary to comply with Decision 93/389/EEC. It is not apparent from the national reports that the operation of Decision 93/389/EEC has given rise to any great financial problems. Member States already accepted reporting burdens with the ratification of the Kyoto Protocol, where the reporting requirements underlying this proposal are defined. It can therefore be assumed that no great increase in costs will result as a consequence of the adoption of this proposal.

5. RESULTS OF CONSULTATIONS WITH INTERESTED PARTIES

5.1 Member States

The Communication on the implementation of the first phase of the ECCP was presented to the Council in October 2001 and stated the Commission's intention to prepare an amendment of the Monitoring Mechanism decision for the second half of 2002. In its conclusions of 12 December 2001 on the ECCP Communication, the Council welcomed the Commission's intention to propose a revision of Decision 1993/389/EC as amended in order to improve the effectiveness of the monitoring of the implementation of policies and measures, and stated that this proposal should also establish the necessary framework to ensure compliance by the Community and the Member States with the requirements on reporting and accounting established pursuant to Articles 5 and 7 of the Kyoto Protocol. The Council called upon the Commission to prepare its proposal as early as possible and to consider how to improve the quality and accuracy of reporting on policies and measures and on emissions and removals of all greenhouse gases, including methodological aspects. Within the context of the Monitoring

Mechanism Committee, the general contents of the proposal were presented to the Member States on 12 March 2002.

5.2 Non governmental organisations and Industry

As this proposal for a decision addresses reporting obligations and data exchange between Member States and the Commission and reporting to the UNFCCC, particular interests of non governmental organisations and industry are not affected.

6. DETAILED EXPLANATION OF THE PROPOSAL

Subject matter (Article 1)

At COP7 in Marrakech (29.Oct.–10. Nov. 2001), detailed guidelines for the annual reporting of greenhouse gases as well as guidelines for the establishment by Parties to the Kyoto Protocol of inventory systems (Article 5(1) Kyoto Protocol) and national registry systems were approved. Since the Community is Party to the Kyoto Protocol (Council Decision 2002/358/EC), the subject (as in decision 93/389/EEC amended by decision 99/296/EC) of the monitoring mechanism needs to be extended accordingly. In addition, the subject of the decision is specified in order to clarify that the decision also covers removals by sinks.

In reporting by the European Community and its Member States to the UNFCCC, the decision aims to ensure that the basic principles of the UNFCCC reporting guidelines are observed.

National programmes (Article 2)

Continuously imperative for complying with the commitments under the UNFCCC and the Kyoto Protocol is the implementation and the periodical update of national programmes for limiting and/or reducing their anthropogenic greenhouse gas emissions and the transparent monitoring of actual and projected emissions. Therefore these central provisions of the existing monitoring mechanism are kept. The article is updated by deleting of a former indent, which established the CO₂ stabilisation commitment of the Community by 2000 (which has been achieved) and slightly amended by a reference to mandatory elements of information in Article 3(2) and by the inclusion of the information procedure for information to be provided from Member States to the Commission and vice versa.

Reporting by Member States (Article 3)

In addition to the existing UNFCCC reporting guidelines on annual inventories³ at COP7, detailed guidelines for the annual reporting of greenhouse gases by Parties to the Kyoto Protocol were approved. Annual reporting requirements will cover greenhouse gas emissions inventories and supplementary information defined in guidelines under Article 7(1) of the Kyoto Protocol. Quantitative information on emissions and removals under Article 3(3) and (4) of the Kyoto Protocol should be reported to the Commission, together with inventory data based on the Intergovernmental Panel on Climate Change (“IPCC”) Good Practice Guidance currently being developed whose application will be provided for in implementing provisions to be adopted under this decision. Supplementary annual information under the Kyoto Protocol includes information related to Article 3(3) and (4) of the Kyoto Protocol.

³ see FCCC/CP/1999/7

Reporting on specific supplementary information is also required to facilitate the annual and periodic EC communications to the UNFCCC. In the annual EC inventory reports to the UNFCCC, the EC will need to ensure those information requirements on methodological choices, such as for sinks, are covered at Member State level. The article establishes the general reporting requirement on this, while details will be defined in EC implementing provisions (Article 3(3)). Requirements on sinks data will be aligned with the IPCC reporting guidelines that are currently being developed. Reporting is also to be required on all activities involving the various accounting units created under the Kyoto Protocol.

It is proposed that the due date for the annual data submission by Member States to the Commission be changed from 31 December to the following 15 January in response to requests for more time from some Member States in the Monitoring Mechanism Committee, while preserving sufficient time for the processing of the submitted data before the annual reporting by the Community to the UNFCCC by 15 April.

In addition to annual reporting requirements, there are mandatory periodic submissions to the UNFCCC, which include reporting on supplementarity relating to the use of the mechanisms and on policies and measures. Member State reporting on this needs to be aggregated to provide this information at the EC level. It is suggested that further guidance that ensures that aggregation of such information on supplementarity is feasible should be developed under the Monitoring Mechanism implementing provisions.

Taking into account the frequency of updates of national emission projections, reporting in this area will be changed to a biannual scheme, while for consistency the due date will also be 15 January (biannually), starting in 2005.

In order to improve data, the list of elements to be reported on a mandatory basis in the Member States' periodic reports is extended and revised slightly, in accordance with the discussions in the Monitoring Mechanism Committee. Policies and measures should be reported, including objective, type and status of implementation and quantitative estimates of the effects of the measures. Experiences with the current Monitoring Mechanism have revealed the need for some further harmonisation in the reporting of policies and measures and projections by MS, which will be further taken into account in the revised implementing provisions, made under this decision. So far, proper assessment of MS policies and projections has been difficult due to significant methodological differences under the current scheme. Reliable emission projections will be crucial for an early warning system and for non-compliance prevention.

Specific implementing provisions under this decision (Article 3(3)) will cover more detailed requirements that specify which elements for the accounting of sinks are also relevant for reporting under the Monitoring Mechanism. The EC's compliance with the Kyoto commitments will depend on the existence of appropriate national inventory systems and well functioning national registry systems. Reporting any changes to these systems is therefore key for the Community and also required under the Kyoto Protocol. In addition a set of indicators that the Monitoring Mechanism Committee has in principle already agreed upon on carbon dioxide and the other greenhouse gases covered by the Kyoto Protocol will be specified in the EC monitoring implementing provisions.

Finally, after the end of the Kyoto Protocol's first commitment period ending in 2012, Parties to the Kyoto Protocol will be able to continue emissions trading for an additional period for the purpose of fulfilling their commitments under the Protocol. These Parties are required to report supplementary information relating to the accounting of assigned amount in

conjunction with a report upon expiration of this additional period for fulfilling commitments which is referred to in Decision 19/CP.7 of the Marrakech Accords⁴.

European Community Inventory System (Article 4)

This article provides for an Community greenhouse gas Inventory System under the Kyoto Protocol and addresses the functions required in the UNFCCC guidelines (under Article 5(1) of the Kyoto Protocol⁵) for National Systems for the estimation of anthropogenic greenhouse gas emissions by sources and removals by sinks. The Community's compliance with Kyoto Protocol guidelines and the quality of the Community greenhouse gas inventory depends on the implementation of National Inventory Systems in the Member States and the quality of the Member States' inventories. Hence, in general, Article 4(4) requires full implementation of the KP Article 5(1) guidelines at the national level by each Member State by 31 December 2004. Article 4(1) provides a proper basis for the existing gap-filling procedure for the Community inventory if data from Member States is not provided. More detailed procedures should be described in the implementing provisions adopted pursuant to this decision.

Technical details will be dealt with under the comitology procedure (i.e. EC monitoring implementing provisions) taking into account those parts of functions of an EC greenhouse gas inventory system where arrangements and procedures are already established on the basis of Council Decision 99/296/EC (amending Council Decision 93/389/EEC). In addition, the specific central supporting role of the European Environment Agency in the EC Inventory System is reflected in Article 4(3).

Evaluation of progress (Article 5)

In order to assess whether the Community and its Member States are on track towards their targets under the Kyoto Protocol, i.e. the actual progress (reported emissions) and projected progress (estimated effects of policies and measures for emissions reductions and projected emissions), the established annual reporting to the Council and the Parliament needs to be continued. This basic early warning system should be seen in context of Article 10. This provides for a review of the extent to which commitments are being met which may lead to further action at Community and Member State level.

In addition, Article 3(2) of the Kyoto Protocol requires Parties to make demonstrable progress in achieving their commitments by 2005, and a specific report on *Demonstrable Progress* has to be submitted by 1 January 2006 to the UNFCCC. Specific provisions providing details of additional aspects on the reporting of demonstrable progress are justified to be laid down in accordance with Article 3(3). The Commission will need information in accordance with these provisions by 15 January 2005 for the report to the UNFCCC referred to in Article 5(3).

Furthermore, the specific central supporting role of the European Environment Agency in assessing and reporting progress is reflected in Article 5(4).

⁴ See FCCC/CP/2001/13/Add.2, page 68, paragraph 49.

⁵ See UNFCCC decision 20/CP.7 in document FCCC/CP/2001/13/Add.3

National registries (Article 6)

Guidelines under Article 7(4) of the Kyoto Protocol require that each Annex I Party shall establish and maintain a national registry to ensure the accurate accounting of the issuance, holding, transfer, acquisition, cancellation and retirement of assigned amount units (AAUs), emission reduction units (ERUs), certified emission reductions (CERs) and removal units (RMUs). As Parties to the Kyoto Protocol, the Community and the Member States are therefore required to establish national registries. In accordance with Decision 2002/358/EC, initial assigned amounts will be issued into Member States' national registries. The Community's national registry could be used to hold ERUs and CERs generated by projects funded by the Community, thereby providing a stimulus for EC action in third countries to address climate change more widely. Further provisions on the use of ERUs and CERs held in the registry may be laid down through co-decision in the light of the review provided for in Article 10.

The Article provides that national registries may be maintained in a consolidated system. National registries should incorporate the registries established under the EC emission allowance trading scheme, and this is provided for by the Article.

This Article also establishes requirements for information from Member States' national registries to be made available in real time to the Central Administrator designated under the EC greenhouse gas emission allowance trading scheme. This is necessary because transactions which take place in the national registries outside the scope of the EC greenhouse gas emission allowance trading scheme are relevant to meeting the requirements of the Kyoto Protocol to use its mechanisms, and so the Central Administrator needs to be aware of them.

Assigned amount (Article 7)

Decision 2002/358/EC states that the committee established by the Monitoring Mechanism Decision 1993/389/EEC shall assist the Commission in determining the respective emissions levels allocated to the European Community and to each Member State in terms of tonnes of carbon dioxide equivalent. This determination is to be done on the basis of the quantified emissions limitation or reduction commitments set out in Annex II to that decision. Article 7 of this proposal provides for the respective emission levels determined in accordance with Decision 2002/358/EC to be submitted to the UNFCCC Secretariat by 1 January 2007.

Article 3(8) of the Kyoto Protocol allows a choice between 1990 and 1995 as base year for the three groups of fluorinated gases for the calculation of the initial assigned amount of a Party. In order to ensure accuracy and consistency of reporting, and as the majority of Member States prefer 1995 as the baseyear for emissions of the fluorinated gases, it is appropriate for the Community and the Member States to take this as its baseyear.

This Article also provides that Member States are to retire assigned amount equivalent to their annual emissions following the completion of all the procedures establishing the levels of those emissions. This mirrors the requirements of the EC emissions trading scheme on companies to surrender allowances in respect of their installation's annual emissions once these have been definitively calculated, and is essentially "good housekeeping" which will promote the avoidance of non-compliance.

Procedures under the Kyoto Protocol (Article 8)

Under the Kyoto Protocol, reported data is only acknowledged and recognised after it has undergone the international review procedure. This international KP review process requires full and effective co-operation and co-ordination between the Community and its Member States, particularly as regards compliance procedures under the Kyoto Protocol, in accordance with Article 10 of the EC Treaty.

In the course of the annual international review under the KP, a review team may find an implementation problem relating to a Member State. In such a case, it should be ensured that information is made available to the Commission in a timely fashion, and that appropriate co-ordination with the Commission takes place before action is taken by that Member State, as any adjustment applied by an international review team to a Member State's inventory affects the EC inventory, and thus the overall compliance of the Community. This is equally true as regards the co-ordination of procedures before the Compliance Committee to be established to oversee compliance with the Kyoto Protocol. These issues are covered by a general provision in this proposal, while it is provided that the technical details may be developed in implementing provisions adopted thereunder.

Committee (Article 9)

The committee is referred to as the Climate Change Committee in order to reflect the comprehensive functions in which it will assist the Commission. These are tasks relating to the monitoring and reporting of greenhouse gas emissions, tasks stemming from Decision 2002/358/EC on the conclusion of the Kyoto Protocol and the joint fulfillment of commitments thereunder, and tasks arising from the EC greenhouse gas emission allowance trading scheme trading (COM (2001) 581 final).

Review (Article 10)

Under the Kyoto Protocol the EC will have to comply with its –8% reduction target. Taking into account the progress that is expected towards the Kyoto targets over the next few years, it is appropriate to carry out a review, in the light of which additional compliance measures might be proposed at the Community level. As the EC and Member States are required by the Kyoto Protocol to show *demonstrable progress* by 2005, the review should be linked with this assessment of progress in 2006/7, which is close to the beginning of the first Kyoto commitment period. The review clause provides for provisions to be proposed, as appropriate. Such measures could include, for example, recommendations to undertake more action, national compliance action plans, the potential use of ERUs and CERs held in the EC registry to avoid non-compliance or preferential trading arrangements.

The review should cover the extent to which the Community and its Member States are meeting all their commitments under the Kyoto Protocol. This includes ensuring that the use of Joint Implementation, the Clean Development mechanism and international emissions trading, pursuant to Articles 6, 12 and 17 of the Kyoto Protocol is supplemental to domestic actions. In the light of this assessment, the Commission may make proposals as appropriate to ensure that these commitments are met.

Supplementary provisions (Articles 11 and 12)

The proposal contains a provision, which repeals Decision 93/389/EEC and provides that all references made to Decision 93/389/EEC shall be construed as references to the new decision. This Decision is addressed to the Member States.

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

for a monitoring mechanism of Community greenhouse gas emissions and the implementation of the Kyoto Protocol

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 175(1) thereof,

Having regard to the proposal from the Commission¹,

Having regard to the opinion of the Economic and Social Committee²,

Having regard to the opinion of the Committee of the Regions³,

Acting in accordance with the procedure laid down in Article 251 of the Treaty⁴,

Whereas:

- (1) Council Decision 93/389/EEC of 24 June 1993 for a monitoring mechanism of Community CO₂ and other greenhouse gas emissions⁵ established a mechanism for monitoring anthropogenic greenhouse gas emissions and evaluating progress towards meeting commitments in respect of these emissions. In order to take into account developments on international level and on the grounds of clarity, it is appropriate for that Decision to be replaced.
- (2) The ultimate objective of the United Nations Framework Convention on Climate Change (UNFCCC), which was approved by Council Decision 94/69/EC of 15 December 1993 concerning the conclusion of the United Nations Framework Convention on Climate Change⁶, is to achieve stabilisation of greenhouse gas concentrations in the atmosphere at a level which prevents dangerous anthropogenic interference with the climate system.
- (3) The UNFCCC commits the Community and its Member States to develop, periodically update, publish and report to the Conference of the Parties national

¹ OJ C [...], [...], p. [...], , p. .

² OJ C [...], [...], p. [...].

² OJ C [...], [...], p. [...].

² OJ C [...], [...], p. [...], , p. .

³ OJ C , , p. .

⁴ OJ C , , p. .

⁵ OJ L 167, 9.7.1993, p.31. Decision as amended by Decision 1999/296/EC (OJ L 117, 5.5.1999, p.35) [and Regulation (EC) xxxx/2002 (OJ L xxx, x.x.2002, p.x)].

⁶ OJ L 33, 7.2.1994, p. 11.

inventories of anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol on substances that deplete the ozone layer (hereinafter "greenhouse gases"), using comparable methodologies agreed upon by the Conference of the Parties.

- (4) The UNFCCC commits all Parties to formulate, implement, publish and regularly update national, and where appropriate, regional programmes containing measures to mitigate climate change by addressing anthropogenic emissions by sources and removals by sinks of all greenhouse gases.
- (5) The Kyoto Protocol to the UNFCCC was approved by Council Decision 2002/358/EC of 25 April 2002, concerning the conclusion of the Kyoto Protocol to the United Nations Framework Convention on Climate Change and the joint fulfillment of commitments thereunder⁷.
- (6) Article 3(2) of the Kyoto Protocol requires Parties included in Annex I to the UNFCCC to have made demonstrable progress in achieving their commitments under the Protocol by 2005.
- (7) Each Party included in Annex I to the UNFCCC is required to establish and maintain a national registry in order to ensure the accurate accounting of the issue, holding, transfer, cancellation and retirement of emission reduction units, certified emission reductions, assigned amount units and removal units⁸.
- (8) The Community and its Member States have made use of Article 4 of the Kyoto Protocol, which allows Parties to the Protocol to meet their emission limitation and reduction commitments jointly. Therefore it is appropriate to provide for effective co-operation and co-ordination in relation to the compilation of the Community greenhouse gas inventory, the evaluation of progress as well as review and compliance procedures enabling the Community to comply with its reporting obligations under the Kyoto Protocol as laid down in the political agreements and legal decisions taken at the seventh Conference of the Parties to the UNFCCC in Marrakech .
- (9) Since the objectives of the proposed action, namely to comply with the Community's commitments under the Kyoto protocol, in particular the monitoring and reporting requirements laid down therein, cannot, by their very nature, be sufficiently achieved by the Member States and can therefore be better achieved at Community level, the Community may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty. In accordance with the principle of proportionality, as set out in that Article, this Decision does not go beyond what is necessary in order to achieve those objectives.
- (10) Since the measures necessary for the implementation of this Decision are measures of general scope within the meaning of Article 2 of Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission⁹, they should be adopted by use of the regulatory procedure provided for in Article 5 of that Decision,

⁷ OJ L 130, 15.5.2002, p. 1.

⁸ Decision 19/CP.7, Annex, II - Registry requirements, A – National registries.

⁹ OJ L 184, 17.7.1999, p. 23.

HAVE ADOPTED THIS DECISION:

Article 1

Subject matter

This Decision establishes a mechanism for:

- (a) monitoring all anthropogenic emissions by sources and removals by sinks of greenhouse gases not controlled by the Montreal Protocol on substances that deplete the ozone layer (hereinafter "greenhouse gases") in the Member States;
- (b) evaluating progress towards meeting commitments in respect of these emissions by sources and removals by sinks;
- (c) implementation of the UN Framework Convention on Climate Change (hereinafter "UNFCCC") and the Kyoto Protocol, in particular as regards greenhouse gas inventories, national systems and registries of the Community and its Member States; and
- (d) ensuring the timeliness, completeness, accuracy, consistency, comparability and transparency of reporting by the Community and its Member States to the UNFCCC.

Article 2

National programmes

1. Member States shall devise and implement national programmes for limiting and/or reducing their anthropogenic emissions by sources and enhancing removals by sinks of all greenhouse gases in order to contribute to:
 - (a) the fulfilment of the Community's and its Member States' commitments relating to the limitation and/or reduction of all greenhouse gas emissions under the UNFCCC and under the Kyoto Protocol, and
 - (b) transparent and accurate monitoring of the actual and projected progress made by Member States, including the contribution made by Community measures, in meeting the commitments of the Community and its Member States' under the UNFCCC and the Kyoto Protocol.

These programmes shall include the information referred to in Article 3(2) and shall be updated accordingly.

2. Member States shall make national programmes and updates thereof available to the public, and within three months of their adoption shall inform the Commission.

At subsequent meetings of the committee referred to in Article 9(1), the Commission shall inform the Member States of any such national programmes and updates thereof that it has received.

Article 3

Reporting by Member States

1. Member States shall, for the assessment of actual progress, determine and report to the Commission by 15 January each year (year X):
 - (a) their anthropogenic emissions of greenhouse gases listed in Annex A to the Kyoto Protocol (carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆)) during the year before last (year X-2);
 - (b) provisional data on their emissions of carbon monoxide (CO), sulphur dioxide (SO₂), nitrogen oxides (NO_x) and volatile compounds (VOC) during the year before last (year X-2), together with final data for the year three years-previous (year X-3);
 - (c) their anthropogenic emissions or removals of carbon dioxide by sinks during the year before last (year X-2);
 - (d) information with regard to the accounting of emissions and removals from land-use, land-use change and forestry for the years between 1990 and the year before last (year X-2);
 - (e) any changes to the information referred to in points (a) to (d) relating to the years between 1990 and the year three years-previous (year X-3);
 - (f) their national inventory report, containing a description of the national inventory system, methodological choices made and changes between data from the year before last (year X-2) and earlier years;
 - (g) information from the national registry, once established, on the issue, holding, transfer, cancellation and retirement of assigned amount units, removal units, emission reduction units and certified emission reductions during the previous year (year X-1);
 - (h) information on legal entities authorised to participate in mechanisms under Articles 6 and 12 of the Kyoto Protocol, in compliance with relevant national or Community provisions;
 - (i) steps taken to improve estimates, where areas of the inventory have been subject to adjustments;
 - (j) information on indicators for the year before last (year X-2); and
 - (k) any changes to the national inventory system.
2. Member States shall, for the assessment of projected progress, report to the Commission, by 15 January 2005 and every two years thereafter,:
 - (a) information on national policies and measures which limit and/or reduce greenhouse gas emissions or enhance removals by sinks, presented on a sectoral basis for each greenhouse gas, including:

- i) the objective of policies and measure;
 - ii) the type of policy instrument;
 - iii) the status of implementation of the policy or measure;
 - iv) indicators of progress, including those indicators specified in the implementing provisions adopted pursuant to paragraph 3 ;
 - v) quantitative estimates of the effect of policies and measures on emissions by sources and removals by sinks of greenhouse gases between the base year and subsequent years, including 2005, 2010 and 2015, including their economic impacts to the extent possible; and
 - vi) the extent to which domestic action constitutes a significant element of the efforts undertaken at national level as well as the extent to which the use of Joint Implementation and the Clean Development mechanism and international emissions trading, pursuant to Articles 6, 12 and 17 of the Kyoto Protocol, is supplemental to domestic actions;
- (b) national projections of greenhouse gas emissions and their removal by sinks as a minimum for the years 2005, 2010, 2015 and 2020, organised by gas and by sector, including:
- i) “with measures” and “with additional measures” projections such as mentioned in the guidelines of the UNFCCC and further specified in the implementing provisions adopted pursuant to paragraph 3;
 - ii) clear identification of the policies and measures included in the projections;
 - iii) results of sensitivity analysis performed for the projections; and
 - iv) descriptions of methodologies, models, underlying assumptions and key input and output parameters.
- (c) information on measures being taken or planned for the implementation of relevant Community legislation and policies, and information on legal and institutional steps to prepare to implement commitments under the Kyoto Protocol and information on arrangements for, and national implementation of, compliance and enforcement procedures.
- (d) information on institutional and financial arrangements and decision making procedures to co-ordinate and support activities related to participation in the mechanisms under Articles 6 and 12 of the Kyoto Protocol, including the participation of legal entities.
3. Implementing provisions for the reporting of the information referred to in paragraphs 1 and 2 and for estimating data that may be missing from national inventories, shall be adopted in accordance with the procedure referred to in Article 9(2).

Those implementing provisions may contain requirements for reporting on the demonstration of progress as required by Article 3(2) of the Kyoto Protocol and on reporting in relation to the additional period for fulfilling commitments.

The implementing provisions shall be revised, as appropriate, taking into account, where relevant, decisions taken under the UNFCCC and the Kyoto Protocol.

Article 4

Community inventory system

1. The Commission shall, in co-operation with the Member States, annually compile a Community greenhouse gas inventory and a Community greenhouse gas inventory report, circulate these in draft to the Member States by 28 February, and publish and submit them to the UNFCCC Secretariat by 15 April each year. Estimates for data missing from a national inventory shall be included in accordance with implementing provisions adopted pursuant to Article 3(3).
2. The Commission shall, in accordance with the procedure referred to in Article 9(2), adopt a Community inventory system for ensuring the accuracy, comparability, consistency, completeness and timeliness of national inventories with regard to the Community greenhouse gas inventory.

This system shall provide for a quality assessment/ quality control programme including the establishment of quality objectives and an inventory quality assessment and quality control plan.

3. The European Environment Agency shall provide assistance to the Commission for the implementation of paragraphs 1 and 2 as appropriate, in accordance with its annual work programme.
4. Member States shall, by 31 December 2004 at the latest, establish national inventory systems under the Kyoto Protocol for the estimation of anthropogenic emissions of greenhouse gases and removals of carbon dioxide by sinks.

Article 5

Evaluation of progress and reporting

1. The Commission shall assess annually, in consultation with Member States, the progress of the Community and its Member States towards fulfilling their commitments under the UNFCCC and the Kyoto Protocol as set out in Decision 2002/358/EC, in order to evaluate whether progress is sufficient to fulfil these commitments.

This assessment shall take into account progress in Community policies and measures and information submitted by Member States in accordance with Articles 3 and 6(2) of this Decision and with Article 21 of Directive xx/xxxx/EC [establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC].

The assessment shall also every two years include the projected progress of the Community and its Member States towards fulfilling their commitments under the UNFCCC and the Kyoto Protocol.

2. On the basis of the assessment referred to in paragraph 1 the Commission shall submit annually a report to the European Parliament and the Council.

This report shall contain sections on actual and projected emissions and removals by sinks, policies and measures and on the use of mechanisms pursuant to Articles 6, 12 and 17 of the Kyoto Protocol.

3. The Commission shall prepare a report on the demonstration of progress achieved by 2005 by the Community, taking into account information submitted in accordance with the implementing provisions adopted pursuant to Article 3(3), and submit this to the UNFCCC Secretariat by 1 January 2006 at the latest.
4. The European Environment Agency shall provide assistance to the Commission for the implementation of paragraphs 1, 2 and 3 as appropriate, in accordance with its annual work programme.

Article 6

National registries

1. The Community and its Member States shall establish and maintain registries in order to ensure the accurate accounting of the issue, holding, transfer, cancellation and retirement of assigned amount units, removal units, emission reduction units and certified emission reductions. These registries shall incorporate registries established pursuant to Article 19 of Directive xx/xxxx/EC [establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC], in accordance with provisions adopted in accordance with the procedure referred to in Article 9(2) of this Decision.

The Community and the Member States may maintain their registries in a consolidated system, together with one or more other Member States.

2. The elements referred to in the first sentence of paragraph 1 shall be made available to the Central Administrator designated under Article 20 of Directive xx/xxxx/EC [establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC].

Article 7

Assigned amount

1. In accordance with Article 3(8) of the Kyoto Protocol the Community and its Member States shall use 1995 as base year for hydrofluorocarbons, perfluorocarbons, and sulphur hexafluoride.
2. The Commission shall, by 31 December 2006 at the latest, submit a report to the UNFCCC Secretariat determining for the Community and its Member States the

assigned amount as equal to their respective emission levels determined pursuant to the first paragraph of Article 3 of Decision 2002/358/EC.

3. Member States shall, following the completion of the review of their national inventories under the Kyoto Protocol for each year of the Kyoto Protocol's first commitment period, including the resolution of any questions of implementation, forthwith retire assigned amount equivalent to their net emissions during that year.

Article 8

Procedures under the Kyoto Protocol

1. Member States shall ensure that there is full and effective co-operation and co-ordination with the Commission in relation to:
 - (a) the compilation of the Community greenhouse gas inventory and Community greenhouse gas inventory report, pursuant to Article 4(1);
 - (b) review and compliance procedures under the Kyoto Protocol;
 - (c) any adjustments or other changes to national inventories and national inventory reports submitted, or to be submitted, to the UNFCCC Secretariat; and
 - (d) the preparation of the report on the demonstration of progress by 2005 by the Community pursuant to Article 5(3).
2. Member States shall submit national inventories to the UNFCCC Secretariat by 15 April each year containing information identical to that submitted in accordance with Article 3(1), unless information removing any inconsistencies or gaps has been provided to the Commission by 15 March of that year.
3. The Commission may, in accordance with the procedure referred to in Article 9(2), lay down procedures and timescales for such co-operation and co-ordination.

Article 9

Committee

1. The Commission shall be assisted by a committee ("Climate Change Committee") composed of the representatives of the Member States and chaired by the representative of the Commission.
2. Where reference is made to this paragraph, the regulatory procedure laid down in Article 5 of Decision 1999/468/EC shall apply, in compliance with Article 7 and Article 8 thereof.
3. The period provided for in Article 5(6) of Decision 1999/468/EC shall be three months.

Article 10

Review

Following the submission of the report on the demonstration of progress by 2005 in accordance with Article 5(3), the Commission shall forthwith review the extent to which the Community and its Member States are making progress towards their emission levels determined in accordance with Decision 2002/358/EC and the extent to which they are meeting their commitments under the Kyoto Protocol. In the light of this assessment, the Commission may make proposals as appropriate to ensure that the Community and its Member States comply with their emission levels and that their commitments under the Kyoto Protocol are met.

Article 11

Repeal

Decision 1993/389/EEC is hereby repealed.

Any references made to the repealed Decision shall be construed as references to this Decision and shall be read in accordance with the correlation table in the annex.

Article 12

Addressees

This Decision is addressed to the Member States.

Done at Brussels, [...]

For the European Parliament
The President
[...]

For the Council
The President
[...]

ANNEX

CORRELATION TABLE

Decision 93/389/EEC	This Decision
Article 1	Article 1
Article 2(1)	Article 2(1)
Article 2(2)	Article 2(1) + Article 3(2)
Article 3(1)	Article 3(1) + Article 3(3)
Article 3(2)	Article 3(1) + Article 4(2)
Article 3(3)	Article 4(1)
Article 4	Article 3(2), Article 3(3), Article 5(1)
-----	Article 4(3)
Article 5(1) + (2)	Article 2(2)
Article 5(3)	Article 5(1)
Article 5(4)	Article 5(2)
-----	Article 5(3)
Article 6	Article 5(1)
Article 7	-----
-----	Article 6
-----	Article 7
-----	Article 8
Article 8	Article 9
-----	Article 10
-----	Article 11
Article 9	Article 12

IMPACT ASSESSMENT FORM

The financial impact of the proposal on the budgetary resources of the European Community

TITLE OF THE PROPOSAL

Proposal for a Decision of the European Parliament and of the Council for a monitoring mechanism of Community greenhouse gas emissions and the implementation of the Kyoto Protocol

DOCUMENT REFERENCE NUMBER

COM(2003) 51

THE PROPOSAL

The proposal for a Decision regarding a monitoring mechanism of Community greenhouse gas emissions and the implementation of the Kyoto Protocol would replace Council Decision 93/389/EEC for a monitoring mechanism of Community CO₂ and other greenhouse gas emissions¹, which established a mechanism for monitoring anthropogenic greenhouse gas emissions and evaluating progress towards meeting commitments in respect of these emissions. The aims are: to reflect reporting obligations and guidelines for the implementation of the Kyoto Protocol in the Monitoring Mechanism, on which the political agreements and legal decisions were taken at UNFCCC COP7 in Marrakech, and the harmonisation of emission forecasts. The amended monitoring mechanism will contribute towards the effective fulfilment of the international commitments of the European Community and its Member States under the United Nations Framework Convention on Climate Change and the Kyoto Protocol.

THE IMPACT ON THE BUDGET

No direct impact on the Community budget is foreseen.

The proposal provides for continuation of the monitoring mechanism for greenhouse gases (Council Decision 93/389/EEC for a monitoring mechanism of Community CO₂ and other greenhouse gas emissions²) in an amended form. The costs of this monitoring will continue to be borne by the Member States.

Costs associated with registries are not expected to exceed the estimates already provided in the proposal for a Directive establishing a scheme for greenhouse gas emission allowance trading within the community and amending Council Directive 96/91/EC³. The details of

¹ OJ L 167, 9.7.1993, p.31. Decision as amended by Decision 99/296/EC (OJ L 117, 5.5.1999, p.35) [and Regulation (EC) xxxx/2002 (OJ L xxx, x.x.2002, p.x)].

² OJ L 167, 9.7.1993, p.31. Decision as amended by Decision 99/296/EC (OJ L 117, 5.5.1999, p.35) [and Regulation (EC) xxxx/2002 (OJ L xxx, x.x.2002, p.x)].

³ COM (2001) 581 final

estimated costs for establishing and running a registry are laid down in COM (2001) 581 final.

The costs of the committee are covered by budget line A 7030 as this is not a new committee.

ON STAFF RESOURCES

As explained above, the proposal also, in future, envisages annual and periodic reports by the Commission to the Parliament, the Council and the UNFCCC. This function, carried out through co-operation between the European Environment Agency, its associated Topic Centre on Air and Climate Change and the Commission's services, would be attributable to the Community budget. No additional particular staff resources are envisaged for the Commission for this continuation of the monitoring. Additional staff resources that may be warranted after adoption of the proposal should be available from within existing resources of DG Environment.

Staff associated with registries are not expected to exceed the estimates already provided in the proposal for a Directive establishing a scheme for greenhouse gas emission allowance trading within the community and amending Council Directive 96/91/EC⁴. The number of staff for establishing and running a registry (5 new permanent posts) are laid down in COM(2001) 581 final.

⁴ COM (2001) 581 final

IMPACT ASSESSMENT FORM

The impact of the proposal on business with special reference to small and medium-sized enterprises (SMEs)

TITLE OF PROPOSAL

Proposal for a Decision of the European Parliament and of the Council for a monitoring mechanism of Community greenhouse gas emissions and the implementation of the Kyoto Protocol.

DOCUMENT REFERENCE NUMBER

COM(2003) 51

THE PROPOSAL

The proposal for a Decision regarding a monitoring mechanism of Community greenhouse gas emissions and the implementation of the Kyoto Protocol would replace Council Decision 93/389/EEC for a monitoring mechanism of Community CO₂ and other greenhouse gas emissions¹, which established a mechanism for monitoring anthropogenic greenhouse gas emissions and evaluating progress towards meeting commitments in respect of these emissions. The aims are: to reflect reporting obligations and guidelines for the implementation of the Kyoto Protocol in the Monitoring Mechanism, on which the political agreements and legal decisions were taken at UNFCCC COP7 in Marrakech, and the harmonisation of emission forecasts. The amended monitoring mechanism will contribute towards the effective fulfilment of the international commitments of the European Community and its Member States under the United Nations Framework Convention on Climate Change and the Kyoto Protocol.

THE IMPACT ON BUSINESS

Who will be affected by the proposal?

The proposal addresses reporting obligations of the Member States – there is no impact on business.

– Which sectors of business?

Not applicable.

– Which sizes of business (what is the concentration of small and medium-sized firms)?

Not applicable.

¹ OJ L 167, 9.7.1993, p.31. Decision as amended by Decision 99/296/EC (OJ L 117, 5.5.1999, p.35) [and Regulation (EC) xxxx/2002 (OJ L xxx, x.x.2002, p.x)].

- **Are there particular geographical areas of the Community where these businesses are found?**

Not applicable.

What will business have to do to comply with the proposal?

Not applicable

What economic effects is the proposal likely to have?

Not applicable

- **On employment?**

Not applicable

- **On investment and the creation of new businesses?**

Not applicable.

- **On the competitiveness of businesses?**

Not applicable

Does the proposal contain measures to take account of the specific situation of small and medium-sized firms (reduced or different requirements etc)?

Not applicable.

CONSULTATION

List of the organisations that have been consulted about the proposal.

Not applicable.