



The Kyoto Protocol

In December 1997, the parties to the 1992 United Nations Framework Convention on Climate Change (UNFCCC or the Convention) adopted the Kyoto Protocol (KP), a treaty designed to limit and ultimately reduce greenhouse gas emissions. The treaty established targets for the levels of these gases produced by each country by 2012, relative to 1990 levels, which on average represent a reduction of emissions to 5% below 1990 levels.

The KP allows for developed countries to use 'Kyoto Flexible Mechanisms' to help meet their targets in a cost efficient way, and for developing countries to participate in emissions trading through the construction of projects which earn credits for reducing emissions, which can then be sold to countries with targets. These 'Project-based' mechanisms are known as Joint Implementation (JI) and the Clean Development Mechanism (CDM).

Clean Development Mechanism and Joint Implementation

CDM & JI: The Kyoto Project-based Mechanisms

The CDM and JI mechanisms allow for the implementation of project activities that reduce emissions in return for credits. These credits can then be sold to companies and governments to help them meet their own targets, enabling an economic interchange and transfer of technology to the Seller and host country, and a cost-effective method of meeting targets for the Buyer.

The Clean Development Mechanism

Under the CDM, projects can be hosted by developing countries (non-Annex 1), either unilaterally or with investment or support from companies and governments in Annex 1 countries. Projects can generate Certified Emission Reductions (CERs) from 2000 up to a total of 21 years.

Joint Implementation

JI is designed to assist Annex 1 countries in meeting their targets through the investment and development of projects in other Annex 1 countries. Projects may start in 2000; however, Emission Reduction Units (ERUs) can only be generated from 2008 onwards.

The Global Market for CERs and ERUs

Although the first commitment period of the KP does not start until 2008, companies, banks, funds and governments worldwide have been buying CERs and ERUs in advance, as a cost-effective method of meeting their targets, and as a tradable commodity.



TFS in the CDM & JI Markets

With a network of offices in London, New York, Frankfurt, Tokyo, Sydney, Singapore, Guangzhou, and Santiago, and agents in many other countries, TFS is well placed to use its experience in the emissions and energy markets worldwide to structure transactions and offer advice from the inception of a project idea through to the negotiation of the Emission Reduction Purchase Agreement.

TFS offers comprehensive advice and transaction services to enable clients to make informed, cost-effective decisions about CDM transactions, from pricing models to the sharing of project and contract risk.

Our associates have expertise in all fields relating to project development, from design of the Methodology and Project Design Documents through to validation and legal advice, providing local knowledge worldwide.

For further information on how TFS can help you within the CDM and JI markets, please contact us via e-mail at emissions@tfsbrokers.com, or at our London HQ on +44.207.726.4988.

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