



Belgian Federal Council for Sustainable Development (FRDO-CFDD)

Advice on the Flexibility Mechanisms in the Kyoto Protocol

- **Advice issued at the initiative of the Council**
- **Drafted by the Energy and Climate working group**
- **Endorsed by the Council's Plenary Assembly, on October 19, 1999 ***

Summary

The Kyoto Protocol signed by Belgium and its European partners in April 1998 provides for all the industrialised countries to reduce their emissions of greenhouse gases. To achieve this objective, these countries may use, along with various domestic measures, different instruments referred to as "flexibility mechanisms" such as emissions trading, joint implementation and the Clean Development Mechanism. In this advice, the Belgian Federal Council for Sustainable Development states its point of view on the criteria for acceptance of these mechanisms and the procedures for implementing them. The Council furthermore notes that these mechanisms may be used only to complement national measures (see the Council's *Advice on the Implementation in Belgium of the Kyoto Protocol to Curb Greenhouse Gas Emissions*).

Flexibility mechanisms must be considered one means of achieving Belgium's objectives for reduction of its emissions of greenhouse gases. They must first be assessed on the basis of their environmental effectiveness and then according to their economic efficiency. As concerns the criterion of environmental effectiveness, the use of flexibility mechanisms must result in real, supplemental and permanent reductions of emissions. As concerns economic efficiency, exchange costs may not be excessive and rules for operation of the market must be simple and guaranteed. The Council is of the opinion that if Belgium is to take advantage of the opportunities offered by these mechanisms, it must increase its participation in international negotiations, make an effort in the area of human resources by recruiting specialists and offer incentives to pilot enterprises.

In particular, the Council's view is that participation by private entities on the international market for emission permits would make the market both more efficient and more competitive. Given the potential significant microeconomic impact, the Council feels that the formula for the distribution of permits to economic actors as well as the rules for functioning of this market must be established in close co-operation with the various economic and social actors belonging to the Council.

The Council further feels that Belgium has an essential role to play in the definition of criteria for admissibility of projects conceived within the framework of the clean development mechanism or joint implementation. The Council is of the opinion that these projects must be clearly situated within the framework of sustainable development for the host countries. They must take account of these countries' priorities in the areas of social development and environmental protection. Moreover, they may by no means make demands on existing budgets for development aid.

A fully functioning system of exchanges will require clear, transparent and verifiable operating rules that take into account economic efficiency, social justice and environmental effectiveness. Effective mechanisms for supervision of transactions and sanctions must be established.

As concerns the specific issue of carbon "sinks" (ecosystems that absorb CO₂, in particular forests), the Council considers it inappropriate to base a policy aimed at combating climate change on the management of natural sinks, given the significant degree of uncertainty affecting the calculation of absorption of CO₂ by these sinks. The Council nonetheless considers it important for Belgium to take an active interest in discussions within international bodies with a view to determining the most appropriate method of accounting for the absorption of carbon by these sinks and to this end to conduct research in this area.

* For various reasons four Council members did not endorse this advice.