1992, which created a framework for action aimed at stabilizing atmospheric concentrations of greenhouse gases (GHG). The gases controlled by the UNFCCC include methane, nitrous oxide, and, in particular, carbon dioxide. The UNFCCC entered into force on 21 March 1994 and currently has 189 Parties.

The Kyoto Protocol was finalized in December 1997 in Kyoto, Japan, when Parties to the UNFCCC agreed that developed countries and countries with economies in transition to a market economy were to reduce their overall emissions of six greenhouse gases by at least 5% below 1990 levels between 2008 and 2012, with specific targets varying from country to country. The Protocol entered into force on 16 February 2005 and has 155 Parties, including 35 Parties that account for 61.6% of the total carbon dioxide emissions subject to reduction targets.

The Kyoto Protocol establishes three flexible mechanisms to assist those countries with emission reduction targets (known as Annex I Parties") in meeting their obligations cost-effectively: an emissions trading system which will become operational in 2008 (Article 17) and two project-based mechanisms, Joint Implementation (JI) (Article 6) and the Clean Development Mechanism (CDM) (Article 12).

JI allows Annex I Parties to implement emission reduction projects (e.g. an energy efficiency scheme) or projects that increase GHG removal by sinks (e.g. a reforestation project) in the territory of another Annex I Party, and count the resulting emission reduction units (ERUs) against its own target. In practice, JI projects are most likely to take place in countries with economies in transition, where there tends to be more scope for cutting emissions at low cost. Projects starting from the year 2000 may be listed as JI projects, although ERUs may only be issued in relation to commitment periods from 2008 onwards. There are two possible procedures for carrying out a JI project. The first procedure (often called Track One) applies when the Annex I Party hosting the project meets the eligibility requirements to participate in the mechanism. The second procedure (Track Two) applies when the host Party does not meet all eligibility requirements and requires a specific verification process to determine the quantity of ERUs the project generates.

The CDM allows Annex I Parties to implement projects that reduce emissions in any developing country and use the resulting certified emission reductions (CERs) to help meet their own targets. The issuance of the first CERs delivered by four CDM projects is expected in the coming weeks.

In an effort to ensure collective compliance by all EU member States, the EU created its own cap-and-trade emission reduction system in 2003 (Directive 2003/87/EC). The EU ETS commenced operations in January 2005 becoming the largest GHG emission trading scheme currently operating. The scheme is based on the allocation of GHG emission allowances (EUAs), which may be traded, to specific industrial sectors through national allocation plans (NAPs) with oversight by the European Commission (EC). NAPs set out the overall emissions cap for the country and the allowances that each sector and individual installation covered under the Directive receives. These NAPs need to comply with criteria contained in Annex II of the Directive.

The first phase of the EU ETS covers the period 2005-2007, while the second phase coincides with the Kyoto Protocol's first commitment period, from 2008 to 2012. The first phase of the EU ETS applies to some 7,300 companies and 12,000 installations in six major industrial sectors across the enlarged EU. These industrial sectors include: utility combustion plants; oil refineries; coke ovens iron and steel plants; energy-intensive industry, such as cement, glass, lime, brick and ceramics production facilities; and the pulp and paper industries. The trading system allows emitters who reduce emissions beyond their obligations to save unused allocations for future use or sell them to other companies that need a cost effective way of achieving their emission reduction targets.

The EU's "Linking Directive" (Directive 2004/101/EC) creates the conditions to use credits generated by emission reduction projects certified by the Kyoto Protocol within the EU ETS market. It allows member States who obtain such credits to convert them into allowances and use or trade them within the EU ETS. In order to prevent an excessive amount of Kyoto-originated credits from entering the system, the Linking Directive excludes forestry-related projects and provides for a review in the event that JI and CDM project credits equivalent to 6% of the total quantity of allowances issued for the 2008-2012 trading period enter the EU ETS.

The seminar sessions explored the current state of the EU carbon market and the possibility for linkages with JI and CDM. Key issues addressed include the status and prospects of EU ETS from regulatory and market perspectives including options and strategies to meet compliance obligations; the status of the EU market