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## **Briefing on Kyoto Mechanism Eligibility for CARILEC Member Companies**

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## Background

Green Markets International, Inc. is coordinating a REEEP-supported project to advance innovative financial mechanisms to accelerate solar water heating (SWH) in Brazil and the Caribbean. Project activities include developing model business plans for SWH fee-for-service and ESCO operations, and building stakeholder knowledge of these business models as well as opportunities to acquire financial resources through trade in environmental derivatives, including international trade in greenhouse gas emission reductions under the Kyoto Protocol's Clean Development Mechanism (CDM). Efforts in the Caribbean region will focus largely on outreach to electric utility companies that are members of CARILEC, the association of Caribbean electric utility companies. CARILEC currently has 30 member utility companies in 24 jurisdictions, including independent nations and dependant territories.

While all 30 of CARILEC's member utility companies will be able to participate in voluntary markets for greenhouse gas emission reductions, the Kyoto Protocol's mandatory nature and the burgeoning demand for Certified Emission Reductions will likely make participation in the Kyoto-based regulatory market a more valuable option. This could be especially true for project structures that would use an emission reduction purchase agreement with a creditworthy buyer (e.g., World Bank, an EU government agency, etc.) as a way to help leverage addition or underlying project finance. Some of the host jurisdictions of CARILEC member utilities are not presently eligible to participate in the CDM or Joint Implementation ("JI", another trading mechanism of the Kyoto Protocol, applicable in countries with reductions commitments) because they are not parties to the Kyoto Protocol.

### Kyoto Protocol Ratification Status of CARILEC Member Companies

Of the 24 jurisdictions that host CARILEC's 30 utility company members, twelve are independent nations that have ratified the Kyoto Protocol. These 12 nations host 15 CARILEC member companies, all of which are eligible to participate in the CDM. St. Kitts and Nevis, a thirteenth independent nation which hosts 2 CARILEC member companies, is a party to the UN Framework Convention on Climate Change but has not yet ratified the Kyoto Protocol. Of the remaining jurisdictions: four are overseas dependencies of the Netherlands, with five CARILEC members; six are overseas territories of the UK, with seven CARILEC members; and one, Puerto Rico, is a Commonwealth Associated with the United States, with one CARILEC company.

The CARILEC members in overseas territories of the Netherlands, UK, and US are not presently eligible to participate in the Kyoto mechanisms; their status and prospects for becoming eligible are as follows:

Commonwealth Associated with the United States - the current Bush administration has made it clear that the US will not ratify the Kyoto Protocol, so companies in Puerto Rico will remain ineligible for Kyoto mechanism participation, at least until that situation changes.

Dutch Overseas Territories – the Netherlands Antilles are not included in the Netherlands' emissions inventory or emissions reduction commitment, so they are not eligible to participate in JI. They are not Parties to the Kyoto Protocol by themselves [and, as Dutch Territories,

presumably could not become Parties independently] so they are not eligible for CDM participation either. (Source: Daniel van der Weerd, SenterNovem, the Netherlands, personal communications with Steven Kaufman, Spring, 2005).

Overseas Dependent Territories of the United Kingdom – the UK Dependant Territories in the West Indies may have an option by which to become eligible for JI participation. To do this, they would need to join the UK's ratification instrument for the Kyoto Protocol, in which case they would be considered as part of the UK, i.e. an “Annex I” Party for Kyoto purposes. Their emissions would then count towards the UK's overall emissions and they would become part of the UK’s efforts to meet its Kyoto commitments. The UK government and the Territory would need to work out amongst themselves the particulars of this arrangement and the obligations that the Territory would need to assume as a part of UK’s Kyoto commitment. (Source: Matt Allen, Global Atmosphere Division, UK Department for Environment, Food and Rural Affairs, personal communications with Steven Kaufman, Spring, 2005).

The follow table outlines the Kyoto Status of CARILEC Member Company Countries:

- A: Kyoto Protocol Ratified: Currently Eligible for CDM Participation
- B: Party to Climate Convention but Kyoto Protocol not yet Ratified: Would become Eligible for CDM Participation once Kyoto Protocol is Ratified
- C: Could Join UK’s Kyoto Ratification and become Eligible for JI Participation (JI is similar to CDM, for Annex 1 country emissions trading)
- D: Cannot Join Kyoto Protocol (with Netherlands, US, or Independently): Not Eligible for CDM or JI

<b>Country Status</b>	<b>Number of CARILEC Member Utility Companies Located in Countries by Category</b>			
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
Independent States (1)	15	2	-	-
UK Territories (2)	-	-	7	-
Dutch Territories (3)	-	-	-	5
US Territories (4)	-	-	-	1
<b>TOTAL</b>	<b>15</b>	<b>2</b>	<b>7</b>	<b>6</b>

Sources: A&B, UNFCCC Secretariat 6/15/05; C, UK Dept. of Environment, Food, and Rural Affairs – Global Atmosphere Division; D: Netherlands: SenterNovem

- 1) Independent States with CARILEC members, that have ratified the Kyoto Protocol: Antigua; Bahamas; Barbados; Belize; Dominica; Grenada; Guyana; Honduras; Jamaica; St. Lucia; St. Vincent; Trinidad & Tobago. Independent State with CARILEC members, that has not yet ratified the Kyoto Protocol: St. Kitts & Nevis
- 2) UK Territories with CARILEC members: Anguilla; Bermuda; British Virgin Islands; Cayman Islands; Montserrat; Turks & Caicos
- 3) Dutch Territories with CARILEC members: Aruba; Bonaire; Curacao; St. Maarten
- 4) US Territory with a CARILEC member: Puerto Rico.