



**GLOBAL  
ECONOMIC ISSUES**  
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## **Forum for 21<sup>st</sup> Century** on global emission trading

### **UNFCCC BRATISLAVA ACCORD** **on trade and commerce related aspects of climate change management**

The Heads of State, the Heads of Government, the Heads of Missions and other delegations; committed to fair and sustainable solution to accelerating anthropogenic climate change, pursuant to the United Nations Framework Convention on Climate Change and honouring every nation's unique environmental disposition and action-readiness; have agreed on this Bratislava Accord.

[1] We acknowledge our adherence to established treaties and enactments under the Convention that we have endorsed. We confirm our commitments under Cancun Agreement of the Convention. We do this in a joint effort to preserve worldwide climate by means of climate change management.

[2] We understand that planet-wide reduction of greenhouse gas (GHG) emissions requires us to temporarily forgo certain economic liberties directly associated with unrestricted environmental pollution, in a necessary process of averting irreversible degradation of world climate. We seek to minimize this economic burden on every nation in a way that preserves the ability to fully exercise human rights and the potency to efficiently mitigate harmful climate change at the same time.

[3] ISCCER mechanism and core principles

We proceed to introduce and safeguard the International Scheme for Cap-and-Trade-based Carbon Emission Reduction (ISCCER). The Scheme has been designed on the following core principles.

[3][a] Fidelity

Only as a whole international community we stand a reasonable chance at restoring carbon-neutral balance to the environment. We will respect every nation's right to growth and development, yet we will not fail to deliver committed mitigation actions without subordination to other national interests unless implied in general exceptions [10] of the Accord.

[3][b] Subsidiarity

Effective market allocation of limited GHG emission allowances through voluntary market forces as well as national and individual choices of fulfilment strategies are highly regarded and encouraged.

[3][c] Additionality

By issuing marketable ISCCER credit allowances to competitive holders, national authorities will seek to eliminate attempts of unsolicited carbon emission outside of ISCCER legal environment



and therefore enable an additional decrease in the ordinary carbon footprint. Monitoring and auditing system of the GHG footprints of the participants of ISCCER will be conducted biannually by a body of the Convention designated by article [12] of this Accord to safeguard that true additionality is achieved.

[3][d] Directness

The commercial routine of allowance trading must be protected from setbacks of market imperfections by means of effective competitiveness law.

[4] Applicability

Every Party to the Accord will take up transparent emission caps under operational UNFCCC legislature on annual basis, and convert these into ISCCER-tradable allowances, which will be offered to the participants within energy – intensive industries and power sector through the mixed system of distribution. Participants from the industries not involved in the system should be allowed to take part in ISCCER on the voluntary basis.

[4][a] The Conference of Parties will establish a working group of experts that will develop a detailed specification of energy-intensive industries and the power sector as understood in this Accord in order to transparently define the scope of mandatory ISCCER participation.

[5] The accredited national authority will be issuing ISCCER-tradable allowances in the amount totalling to the annual national cap. The allowances will be distributed through the mixed system of distribution consisting of 70% direct proportional allocation of allowances according to the GHG footprints of participants and 30% of allowances distributed through the auction system to source accounts (non-intermediary) and other non-source accounts (intermediary) with licences.

[5][a] Revenues from sale of allowances at the auction would be allocated for a consumer benefit or strategic energy purpose. Regulated sources are free to design and implement customized compliance strategies for optimum flexibility. Taxation of allowance trading will be conducted by national legislature in compliance with article [6] of the Accord.

[6] National Treatment on internal regulation of ISCCER allowances.

The contracting parties recognize that internal legal regulations, charges and requirements affecting the internal sale, offering for sale, purchase and applicability of ISCCER allowances should not be applied so as to create competitive advantage for domestic participants.

[7] Antitrust practice

All Parties to the Accord will have adopted and proceeded to enforce adequate national competition legislation on GHG allowance trading by the date Accord enters into force; compliant to the following directions.



[7][a] Every eligible intermediary is permitted to hold no more than the Maximum Intermediary Allowance (MIA) in ISCCER allowances on their accounts at any given time. A binding MIA index value will be published annually by a body of the Convention designated in article [12] of this Accord.

[7][b] Any form of speculative concentration of participants by means of public or clandestine agreement that would enable circumvention of provisions in articles [7][a] and [8] is impermissible. Upon judicial conviction, such concentration has to be countermanded immediately and may result in a loss of intermediary license granted under article [8] of this Accord.

[7][c] Any form of coercive tying of ISCCER allowance trade to other commercial claims, obligations, payments and derivatives, asset transfers or any unrelated burden is impermissible. Discriminative refusal to deal with legitimate ISCCER participants for whatever reason is impermissible.

#### [8] Eligibility of intermediaries

Any economic subject established in any State which is Party to UNFCCC Bratislava Accord is eligible to apply for ISCCER Intermediary License at their State competent authority. Every State will entrust such authority to a governmental body under domestic law pursuant to article [7] of the Accord.

[8][a] License is granted by the competent national authority after the applicant meets the requirement to prove their compliance with competition legislation pursuant to article [7] in a way reconcilable with article [6] of the Accord.

[8][b] The subject's compliance with the same legislation may be challenged in the competent court by any other subject. If compliance is deficient, the local authority will request the subject to reconcile with the governing law. Failure to comply with such request will result in suspension of subject's license for 12 months. Repeated proven violation of applicable competition law will result in permanent termination of subject's license.

#### [9] ISCCER-tradable allowance substitutes

We encourage any subjects capable of additional GHG reductions through innovative endeavours that meet international quality and sustainability standards to be capitalized via ISCCER as full GHG allowance equivalents. Allowance substitutes require a careful treatment and a long-term inclusion plan in order to maximize their benefit and credibility while reducing the associated risk of abuse.

#### [9][a] Renewable energy and household efficiency projects

In order to capitalize climate-associated credits and bonds through ISCCER commercial framework, we have agreed to develop a system of rules, certifications and supervising authorities



that would warrant such endeavour's legitimacy, transparency and additionality. Such concept will assure compliance with general goals as well as international accountability of certified projects.

[9][b] Pro-environmental technologies

We acknowledge the importance of commencing real GHG reductions via introduction of effective applied research creatively designing sustainable and environmentally friendly manufacturing processes alongside the ordinary restriction of GHG emissions, as the former provides the substance of actual long-term solution to the high industrial footprints. We commit ourselves to investigating and exploiting possibilities of crediting successful researchers through ISCCER commercial framework.

[9][c] In order to provide a transparent implementation of flexible mechanisms favouring acceptable forms of green energy projects, climate-friendly geoengineering and research, we will adopt an Execution Protocol that will be annexed to the UNFCCC Bratislava Accord.

[10] General exceptions, implementation of emergency deflection corridors

In cases of severe economic and/or social emergency at a national level, Parties are permitted to take advantage of approved maximum deflection corridors under two possible regimes:

i) sudden cases of unforeseeable emergency (such as economic, environmental or humanitarian catastrophes with rapid and uncontrollable onset) requiring permission of additional GHG emissions up to 30% of deflection quotas in period of less than 6 months – these will be approved unless more than 20% of Parties raise objections within 45 days;

ii) other cases will be approved by a majority of 80% votes of Parties on a quarterly basis.

[10][a] If direct allocation of such temporary allowances, that would otherwise violate provisions in this Accord, is necessary to restore economic and/or social order, an explicit overriding mandate may be provided by the approval commission. The approval process will be incorporated into permanent execution board of the Convention under article [12] of this Accord.

[11] Corrective and disciplinary measures

With respect to the shared goal of sustainable growth and climate change mitigation, national implementation strategies of Parties and the principle of subsidiarity, we express our full trust to every Party's own capabilities of enforcing national commitments.

[11][a] Possible disruptions in proper implementation of ISCCER will be addressed at international level by means of multilateral negotiations. Insufficient reconciliation efforts over a period of 6 months will result in international ad-hoc arbitration.

[11][b] Persistent violation of any of the articles [5], [6], [7] and [8] of the Accord resulting in unfair competitive advantage of resident subjects in international trade will be jointly considered to be a violation of applicable international covenants. Legitimate measures under applicable



international trade law will be drawn against such trespassing party to void the illegitimate advantage.

[12] The Board of ISCCER

This Accord institutes the creation of the Board of ISCCER as a designated body of the UNFCCC Secretariat, operational from the Accord's entry into force, indefinitely. The Conference of Parties will constitute the statute of the Board and appoint the delegates. The Board will be assembled on the minimum of quarterly basis.

[12][a] National representation and voting rights

Every party to the Accord will be represented by at least one seat at the Board and at least one vote. Number of votes will be calculated from the five-year average population count of the country divided by 5 000 000 (five million) rounded to nearest whole number or will equal one vote, whichever is greater.

[12][b] Competences of the Board of ISCCER will include the following:

- Formal monitoring and auditing of GHG footprints of ISCCER participants on a biannual basis
- Approval of emergency deflection claims under article [10] on a quarterly basis
- Research and assignment of annual MIA Index under article [7][b] on annual basis.

[13] Initiation schedule and final provisions

[13][a] This Accord will be operational after 60% of UNFCCC Parties representing 85% of their total Gross Domestic Product in Rate of Exchange Parity (2010 International Dollars) have signed and ratified the Accord. If the requirement of gaining 60% of UNFCCC Parties representing 85% of their total GDP in Rate of Exchange Parity is not accomplished within 12 months after the last day of the Conference, the Parties are obliged to summon a new conference.

[13][b] In order to provide a legitimate adaptation period for all States to introduce anticipated environmental regulations into domestic law, Parties may opt out of the Execution Protocol I under article [9] with adequate reasoning for a maximum of five years. Termless exceptions from Execution Protocol I can be requested whilst assuring non-violability of ground principles and goals, especially non-discrimination, environmental protection, sustainability and progress. The United States of America have been granted a termless exception from the article [9] of the Accord.

[13][c] Articles [7] and [11] will come into force after 24 months of Accord's operability. Developing countries facing relevant difficulties of transforming legal systems can delay their commitments under article [7] of this accord for up to further 24 months; in such case, however, they are obliged to prevent anti-competitive domestic behaviour by temporary domestic measures of equivalent effect, failure of which will be equally treated under article [11] of this accord.



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[13][d] Any further amendments to the accord can be discussed at the Conference of Parties of the UNFCCC. The Accord will remain operational indefinitely unless a new UNFCCC agreement will constitute its demise.

[13][e] Any state that is a party to UNFCCC can accede to the Bratislava Accord in its entirety.

**By signing this document, the signatory parties agree to all provisions of the UNFCCC Bratislava Accord and commit themselves to implementing the International Scheme for Cap-and-trade Carbon Emission Reduction at the national level and ensuring compliance with all measures and regulations approved by the Accord.**

**In Bratislava, 18<sup>th</sup> March 2013**

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**The Association of Southeast Asian Nations**

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**The European Union**

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**The United States of America**