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The Kyoto Protocol requires all member states of the United Nations to reduce their carbon emissions and mitigate the worsening changes in the world’s climate.

But for developed countries, which would need more time to achieve low carbon emissions because of the impact on industries, the protocol designed a carbon trading mechanism that would allow industrialized countries to finance the renewable energy projects of less developed nations.

Less developed nations like the Philippines may undertake clean development mechanism (CDM) projects to earn carbon credits or carbon emission reductions (CER).

Each CER is equivalent to the reduction of a metric ton of CO_2e (this unit translates to carbon dioxide and its equivalent).

An industrialized country can buy carbon credits of a Philippine company to add to the volume of carbon emissions it has set to reduce when it ratified the Kyoto Protocol.

But a Philippine company may also convert these credits through climate change markets developed by the protocol, such as the European Union Emission Trading System (EUETS).

EU countries hold their own credits, which are referred to as European Union Allowances (EUAs). Early this year, an EUA was equivalent to 16.44 euros ($11.67 or P504.49) in the EUETS.—Vincent Cabreza

Sources: UNFCCC and EUETS websites