

## **Ad Hoc Working Group on Long-term Cooperative Action (AWG-LCA)**

### **Informal summary of the workshop on a framework for various approaches**

**Friday, 31 August 2012, 10.00–13.00**

**UNESCAP, Bangkok, Thailand**

#### **I. Mandate**

1. The Conference of the Parties (COP), by its decision 2/CP.17, paragraph 80, requested the Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA) to conduct a work programme to consider a framework for various approaches (FVA), including opportunities for using markets, to enhance the cost-effectiveness of, and to promote, mitigation actions, bearing in mind the circumstances of developed and developing countries, with a view to recommending a decision to the COP at its eighteenth session.
2. For this work programme, the COP invited Parties and admitted observer organizations to submit their views on the matters referred to in decision 2/CP.17, paragraphs 79-80, including their experiences, positive and negative, with existing approaches and mechanisms as well as lessons learned, and requested the AWG-LCA to conduct one or more workshops with Parties, experts, and other stakeholders to consider these submissions and to discuss the matters referred to in these paragraphs of this decision.
3. At the first part of its fifteenth session in May 2012, the AWG-LCA considered the matters referred to in decision 2/CP.17, paragraphs 79-82, including through an in-session workshop on the FVA. At the conclusion of this part of the session, Parties proposed that it would be useful in progressing the work before Doha to focus discussions through workshops, where possible. A workshop on the FVA was therefore organized in conjunction with the informal additional session of the AWG-LCA between the first and second parts of the fifteenth session.
4. This document is an informal summary of the proceedings of this workshop. The AWG-LCA may wish to take note of the information contained in this informal summary when conducting its work programme to consider the FVA.

#### **II. Organization of the workshop**

5. The workshop on the FVA was held at UNESCAP, Bangkok, Thailand, on 31 August 2012 and was open to all registered participants at the informal additional session of the AWG-LCA. It commenced with opening remarks by the workshop chair, Ms. Alexa Kleysteuber. This was followed by a presentation by a representative of the secretariat of the technical paper (document FCCC/TP/2012/4) that Parties had requested, at the first part of the fifteenth session of the AWG-LCA, the secretariat to prepare. It continued with the following two panel discussions: (a) fundamental principles and relations; and (b) tools to operationalize the framework. Each panel discussion consisted of reflections by representatives of Parties and admitted observer organizations, followed by a discussion period.
6. The agenda for the workshop, including discussion questions, is available on the UNFCCC website.

#### **III. Summary of proceedings**

##### **A. Fundamental principles and relations**

7. The first panel focused on issues relating to fundamental principles and relations, with the objectives of: (a) clarifying what are the stated and expected objectives of the FVA, including the type of activities that could be covered; and (b) understanding how activities under the FVA should relate to the new market-based mechanism,

the Kyoto Protocol mechanisms, and other cooperation mechanisms, such as nationally appropriate mitigation actions (NAMAs) and the Green Climate Fund.

8. The first panellist stated that there is still not a common view among Parties as to the scope and purpose of the FVA, and that he would apply a more narrow interpretation than what has been expressed in some of the submissions. In his view the FVA should define the relation between existing mechanisms under the Kyoto Protocol and new mechanisms that may be elaborated under the UNFCCC, and in particular between market-based and non-market-based mechanisms. He noted that discussions so far have mainly focussed on market-based approaches, and that there is a need to pay more attention to non-market-based approaches as well. He also stated that some types of activities, such as industrial gas projects, may be better suited for other types of policy interventions, such as command and control approaches. The panellist did not agree with the notion that mechanisms developed outside the UNFCCC should also be recognized by the FVA and did not agree with the idea that mechanisms developed outside the UNFCCC could be used to meet mitigation pledges made by Parties under the Convention. He further suggested that ultimate governance of the FVA should be vested in the COP, and that the existing accounting rules developed under the Kyoto Protocol could also be used for the FVA.
9. The second panellist noted that the world has changed since the Kyoto Protocol was adopted and that an increasing number of developed and developing countries have established, or are in the process of establishing, different forms of market-based mechanisms. He argued that the UNFCCC has now a short window of opportunity to seek to coordinate mechanisms developed inside and outside the UNFCCC, and that this should be the role of the FVA. He did not consider the FVA a mechanism in itself, but rather a management approach to bring coherence in an increasingly fragmented world. The panellist suggested that the FVA would not necessarily have to be either a centralized approval model or a more flexible transparency model, as suggested in some submissions. Instead, in his view, the FVA could offer mix of roles including as provider of best practice guidance, as rule setter, as reviewer of proposed approaches, or as a centralized approval body. In any case, the FVA should serve to ensure the environmental integrity of various approaches, while safeguarding against double counting and supporting transparency. The panellist expected that discussions about the framework will have to continue in 2013, and that Parties could provide more information about the approaches that they would like to propose under the FVA so as to allow more informed discussions.
10. The third panellist suggested that the FVA should combine aspects of the need for environmental integrity in various approaches with aspects that respond to the needs of carbon markets. He noted that transparency and information are key issues that are relevant to many other discussions in the UNFCCC. He raised the idea that the FVA could provide a foundation for the mitigation aspects of the Ad Hoc Working Group for the Durban Platform. In his view, the FVA should also serve to bring coherence to bottom-up approaches (developed outside the UNFCCC) with top-down approaches (developed inside the UNFCCC). He suggested that the FVA should be designed so as to allow national and sub-national innovations as well as non-market-based approaches to develop. In all these cases, he stated that the FVA should provide the environmental integrity check for emission reductions claimed or mitigation units issued. The panellist saw strong opportunities, even needs, for linking the FVA with NAMAs in terms of requiring that NAMAs seeking emission reductions must meet requirements defined in the FVA. Similarly, he suggested that the FVA may be suitable to provide the measurement, reporting, and verification (MRV) requirements for activities supported by the Green Climate Fund. Bringing all these elements together would mean, he proposed, that the FVA should provide a framework not only for various approaches, but also for several other tools that are now under development in the UNFCCC.
11. The ensuing discussion considered issues such as: the rationale for and against allowing countries to use mechanisms outside the UNFCCC to meet their commitments under the Convention; the consequences of enabling the FVA to support the use of such mechanisms; the need to design the FVA to allow for innovation and continuous development; the need to provide robust common accounting standards under the FVA and the potential use of the Kyoto Protocol infrastructure to this end; the opportunity for developing standards for environmental integrity based on a continued dialogue or negotiation; elements that should be included in such standards; the possibility that a share of the proceeds generated under the FVA are set aside to support the Adaptation Fund; and the need to reach agreement at the eighteenth meeting of the COP at least on a definition and objectives of the FVA, with further elaboration in the development of the FVA as time may allow.

## **B. Tools to operationalize the framework for various approaches**

12. The second panel focused on issues relating to tools to operationalize the FVA, with the objectives of: (a) identifying key elements that would be required for the functioning of the FVA; and (b) exploring practical options for putting these elements into operation.
13. The first panellist presented a model for how the recognition of mechanisms could be interpreted based on the Cancun and Durban decisions (i.e. decisions 1/CP.16 and 2.17, respectively), and proposed that both top-down and bottom-up approaches could co-exist under the FVA, with responsibility for defining reporting and transparency criteria vested in the COP. He stated that eligibility criteria for participation should be clearly defined so as to minimize the risk for project investors, and that requirements for reporting should take into account national circumstances and should not impose excessive burdens, especially for developing countries with less capacity to develop various approaches. Environmental integrity could be safeguarded by the use of conservative baselines and verification could be conducted by nationally accredited entities. A key point for the panellist was that a variety of different approaches is needed to allow Parties to meet their mitigation pledges. He did not agree with the notion that only approaches approved centrally would be sufficient in this regard.
14. The second panellist highlighted that the principles for various approaches have already been established and that the FVA should accept various approaches if they can be shown to meet these principles. He stated that a mechanism for avoidance of emissions would fit well under such principles and could be an example of various approaches recognized by the FVA. He suggested that the FVA will be relevant when any domestic policy starts to interact across borders through transfers of emission reduction units, technologies or finance for which Parties seek recognition under the Convention. The panellist agreed that there is a need for a common registry function, which could be managed by an executive board. The governance of the FVA would benefit from balanced regional representation by promoting host country ownership and responsibility for various approaches proposed to the FVA, but he also saw a strong role for COP in the governance of the FVA.
15. The third panellist proposed that the two main functions of the FVA could be, first, to monitor what mitigation units have been created and how are they used, and second, to guarantee the environmental integrity of these units. For the first function, he suggested that the existing infrastructure created under the Kyoto Protocol could be used, or alternatively that requirements similar to those developed under the Kyoto Protocol could be used as a blueprint. Regardless of what infrastructure is used, he considered that the underlying accounting rules are essential, and that these have to be common in order to allow a functioning system of sufficient integrity. The panellist suggested that the FVA could accommodate different models for ensuring the environmental integrity of units. Such models could range from a situation where countries fully meet criteria for accounting rules, which would allow relatively straightforward review and approval of units, to a situation where countries lack common accounting rules and where a more rigorous approach, similar to the CDM project-by-project approach, may need to be adopted. The panellist also suggested that units could be considered as a form of currency and that the acceptance of the currency is based on the general “economy” that generates the currency.
16. The ensuing discussion considered issues such as: the relationship between the prerogative for individual countries to decide on what “currency” to use in their systems and the prerogative of Parties to jointly agree on what units to accept under the FVA; the use of the international transaction log and/or national registries to track the generation and use of units; the potential role of the international consultation and analysis (ICA) and international assessment and review (IAR) processes to supplement the accounting and tracking of units; the potential impact if the UNFCCC does not define a system for tracking units as a matter of urgency; the risk that lack of progress on this issue will result in fragmentation or the establishment of a common accounting system outside UNFCCC; the extent to which the use of units should depend on the adoption of a mitigation commitment under the Convention (or one of its instruments); to what extent the UNFCCC should function as the approving authority for various approaches proposed by Parties; the need to also consider non-market based approaches in discussions about how to issue and track units, as such approaches may also generate mitigation units (although not for market purposes); and the need to balance requirements for environmental integrity with requirements for flexibility in how the unit is generated.