**Submission of Views**

**by**

**Bangladesh, Costa Rica, Cote d'Ivoire, Democratic Republic of Congo, Dominica, Dominican Republic, Fiji, Gabon, Guyana, Honduras, Kenya, Liberia, Nigeria, Panama, Papua New Guinea, and Republic of Congo**

**on**

**The Framework for Various Approaches and the New Market Based Mechanism**

**25 March 2013**

1. Following the closure of the Ad hoc Working Group on Long Term Cooperative Action (AWG-LCA) in Doha at the eighteenth Conference of the Parties (COP 18) to the UNFCCC a number of items were referred for further work to the various subsidiary bodies (SBs). In anticipation, the AWG-LCA at its fifteenth session invited Parties to submit, by 25 March 2013, their views on the following three work programmes that emerged from element 1bV of the Bali Action Plan:

    - a framework for various approaches, including opportunities for using markets (FVA)[1];
    - new market based mechanism (NMM)[2];
    - non-market based approaches[3].

2. For this purpose the Coalition for Rainforest Nations considered issues related to the FVA and the NMM and prepared this submission of views.

3. While COP 18 requested the SBSTA to conduct three separate work programmes, each with its own incipient Terms of Reference, the three work programmes are closely interrelated. This relationship emerges clearly from the debates that took part during the several negotiating sessions in 2012, including during the workshops held respectively in May 2012 in Bonn and in August 2012 in Bangkok. Furthermore, several elements of the three items mentioned above still need to be clarified. This submission has been prepared with the view to reflect those discussions and advance the position of many developing country Parties on such fundamental issues.

---

[1] FCCC/CP/2012/L.14/Rev.1, paragraph 48.

[2] FCCC/CP/2012/L.14/Rev.1, paragraph 52.

[3] FCCC/CP/2012/L.14/Rev.1, paragraph 48.

4. The result of the work of the Ad hoc Working Group on the Durban Platform for Enhanced Action (ADP) should cover all various approaches and take into account their contribution to meeting any resulting obligation, in a coherent way.

## Framework for Various Approaches

5. The FVA is a set of components and rules designed to integrate the various approaches (VA) developed and implemented by the Parties to promote mitigation actions and environmental integrity, bearing in mind different capacities and capabilities of developed and developing countries.

6. The FVA should cover various approaches, domestic and/or international, including sectoral mechanisms, seeking international recognition, that result in net reductions of greenhouse gas emissions by sources and removals by sinks.

7. Subject to certain conditions, units associated with these approaches can be transferred internationally, with the view to assist Parties to achieve compliance with UNFCCC obligations.

8. The FVA should cover various approaches taking into account national circumstances and different capacities and capabilities of developed and developing countries.

9. Adequate and predictable financial resources for the implementation of the FVA in developing country Parties should be provided by developed country Parties.

### Objectives

10. The FVA should ensure that:

- Net reductions of greenhouse gas emissions by sources and removals by sinks resulting from various approaches, including market and non-markets, should be recognized and integrated in the UNFCCC.
- Subject to national measuring, reporting and verification (MRV) and monitoring systems, units created through national mitigation initiatives can be transferred and used for UNFCCC compliance.
- Various approaches must comply with common standards that ensure environmental integrity, promote sustainable development, and deliver real, permanent, additional and verified mitigation outcomes;
- Double counting of any type shall be avoided.

Scope

11. The FVA will:

- function under the authority of the COP;
- include units produced by developed and developing country Parties;
- include crediting, trading or a mechanism of a mixture thereof ;
- cover only approaches producing units; seeking international transfer and ensuring environmental integrity;
- take into account national circumstances and different capacities and capabilities of developed and developing countries.

Institutional arrangements

12. The FVA will include, amongst others:

**a)** International Reduction Units (IRUs) to be transferred internationally, recognised and accepted for compliance with UNFCCC obligations. IRUs meeting the common standards below can be generated by any various approach promoting mitigation actions and can be used for compliance with UNFCCC obligations.

**b)** A Regulatory Body (RB) operating under the authority of the COP and overseeing all various approaches, including the NMM and the existing Kyoto Protocol flexible mechanisms. The RB should, amongst others:

- regulate the international transfer of IRUs;
- develop, administer and ensure that common standards are applied by the Parties with the view to ensure environmental integrity as specified below.

**c)** National Registries (NRs) established at the national level and subject to national monitoring, measurement, reporting, verification and accounting systems. The NRs should be linked to the international transaction log (ITL) and should ensure the accurate accounting of the issuance, holding, transfer and acquisition of IRUs.

**d)** Common standards (CSs) will be identified by the MRB, and approved by the COP. CSs should be applied to all various approaches and should ensure environmental integrity and full fungibility of IRUs ('a ton is a ton'). While implementation, monitoring, measurement, reporting, verification and accounting and review (e.g. reference levels ) of various approaches will be at the national level, CSs will be used in 'evaluating' a mitigation action and should address issues such as additionality, full national accounting and monitoring systems, double counting, independent verification, leakage, reference levels and equivalent factors.

**e)** An International Transaction Log (ITL) operating under the UNFCCC and transferring, upon verification, IRUs between National Registries.

Functions of the FVA

13. The FVA will have the following functions:

a. Review various approaches promoting mitigation actions and implement Common Standards.

b. Issue, transfer and tracking of IRUs internationally will be upon demand, review and subject to the approval process.

c. Avoid double-counting.

d. Promote cost-efficient mitigation actions.

e. Support developing country Parties in the implementation of mitigation actions.

Net avoidance of emissions

14. The Durban outcome, and all subsequent discussions among Parties, shows that an offsetting approach is not one that should be contemplated. What is needed under the new climate change regime are net reductions of greenhouse gas emissions by all sources and all removals by sinks.

Net emissions reduction can be achieved in a variety of ways but ensuring consistency at the source of production of these reductions may require a great deal of effort and coordination – such as ensuring that the same definition of conservatism is applied in very different circumstances and jurisdictions.

A different approach may be one where a discount factor is applied consistently at the point of use, which will have the effect of keeping clear measurement to 'a ton is a ton', and not making arbitrary and differing conservative assumptions.

At the same time, applying a discount factor at the point of use ensures a simple and clear net reduction.

Financing of the FVA

Adequate and predictable financial resources for the implementation of the FVA in developing country Parties should be provided by developed country Parties. For the FVA a levy on any issued IRUs could be introduced. This will capture any units that are issued domestically, but then use the FVA for international transfer and compliance purposes.

**New Market Based Mechanism**

15. The submission of views to the Ad Hoc Working Group on Long term Cooperative Action at its fourth session made on 30 March 2009 by Belize, Central African Republic, Costa Rica, Democratic Republic of Congo, Dominican Republic, Ecuador, Equatorial Guinea, Ghana, Guyana, Honduras, Kenya, Madagascar, Nepal, Nicaragua, Panama, Papua New Guinea, Singapore, Solomon Islands, Thailand, Uganda, United Republic of Tanzania, Vanuatu and Viet Nam on Reducing Emissions from Deforestation and Forest Degradation and the role of Conservation, Sustainable Management of Forests, and the Enhancement of Forest Carbon Stocks should be recalled.

16. The submission of views to the Ad Hoc Working Group on Long term Cooperative Action at its fifteenth session made on 29 February 2012 by Bangladesh, Cameroon, Central African Republic, Congo (Republic), Costa Rica, Cote d'Ivoire, Democratic Republic of Congo, Dominica, Dominican Republic, Fiji, Gabon, Ghana, Guyana, Honduras, Kenya, Pakistan, Panama, Papua New Guinea, Sierra Leone, Solomon Islands, Suriname and Uganda on various approaches, including opportunities for using markets, to enhance the cost effectiveness of, and to promote, mitigation actions should be recalled.

17. The new market based mechanism (NMM) should be based, amongst others, on the elements referred to in paragraph 51 of decision 1/CP.18 'Agreed outcome pursuant to the Bali Action Plan'[4].

---

[4] Elements of the work programme referred to in paragraph 50 of decision 1/CP.18 Agreed outcome pursuant to the Bali Action Plan:
(a) Its operation under the guidance and authority of the Conference of the Parties;
(b) The voluntary participation of Parties in the mechanism;
(c) Standards that deliver real, permanent, additional, and verified mitigation outcomes, avoid double counting of effort and achieve a net decrease and/or avoidance of greenhouse gas emissions;
(d) Requirements for the accurate measurement, reporting and verification of emission reductions, emission removals and/or avoided emissions;
(e) Means to stimulate mitigation across broad segments of the economy, which are defined by the participating Parties and may be on a sectoral and/or project-specific basis;
(f) Criteria, including the application of conservative methods, for the establishment, approval and periodic adjustment of ambitious reference levels (crediting thresholds and/or trading caps) and for the periodic issuance of units based on mitigation below a crediting threshold or based on a trading cap;
(g) Criteria for the accurate and consistent recording and tracking of units;

18. The new market based mechanism should cover reduction of greenhouse gas emissions by sources and removals by sinks in broad sectors of the economy, including REDD+, that could be of a crediting, trading, or a mix thereof, in nature, and applicable to develop and developing countries.

19. The new market based mechanism, taking into account national circumstances and different capacity and capabilities, shall enhance cost- effectiveness and promote mitigation actions, in particular mitigation actions that support sustainable development in developing countries.

20. Parties with commitments under the Convention may use emission reduction units accruing from REDD+ results based actions that are measured, reported and verified at the national level to contribute to compliance with their additional emissions reduction commitments.

21. The acquisition of emission reduction units by Parties referred to in paragraph 22 above shall be supplemental, significant and additional to their reduction commitments as determined by the Conference of the Parties at its eighteenth session in order to guarantee environmental integrity.

22. The new market based mechanism will be sectoral in nature and under the authority of the COP. It shall be used by Parties on a voluntary basis and taking into account national circumstances.

23. The NMM should contribute to raise the level of ambition by developed country Parties in their mitigation commitments under the Convention.

24. Units issued from a NMM will be transformed, upon request, into an IRU, and be used in any jurisdiction for compliance with UNFCCC commitments.

25. To be eligible as in IRU, units from a NMM will be issued at the national level and subject to national accounting and MRV, consistent with the approach taken in FVA. National authorities will ensure that no double counting takes place.

26. NMM governance and institutional approach should ensure that there is consistency and coherence with the other elements in the FVA. As such, existing infrastructure should be used as much as possible, including regulatory bodies, adapted to the needs of the NMM, and based on lessons learned from the flexible mechanisms under the Kyoto Protocol.

---

(h) Supplementarity;
(i) A share of proceeds to cover administrative expenses and assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation;
(j) The promotion of sustainable development;
(k) The facilitation of the effective participation of private and public entities;
(l) The facilitation of the prompt start of the mechanism.

27. A pilot phase for NMM should be launched by COP19.

28. As part of the NMM, a REDD+ mechanism should be defined by COP19. The REDD+ mechanism should include results-based actions as referred to in paragraph 73 of decision 1/CP.16.

29. The REDD+ mechanism should:

   - Be voluntary;
   - Assist Parties' compliance with their mitigation commitments under the Convention;
   - Include net reduction of greenhouse gas emissions that are fully measured, reported and verified at the national level consistent with decision 1/CP.16;

30. In accordance with Article 3, paragraph 12 bis and ter of the Kyoto Protocol units generated from the REDD+ mechanism may be used may be used by Parties included in Annex I to assist them in achieving compliance with their quantified emission limitation and reduction commitments under Article 3 during the second commitment period (SCP). In the SCP, developed country Parties will be able to set aside an amount of AAUs or IRUs, commensurate with the implementation outcome of the REDD+ mechanism. Such units will be transferred to developing country Parties implementing the REDD+ mechanism. If the reductions are not achieved, the units set aside will be returned.

31. Adequate technical and financial support should be provided by developed country Parties to developing country Parties for the implementation of the activities referred to in paragraph 22 above.