



## **SUBMISSION BY IRELAND AND THE EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION AND ITS MEMBER STATES**

**This submission is supported by Albania, Croatia, Bosnia and Herzegovina, Iceland, the Former Yugoslav Republic of Macedonia and Serbia.**

**Dublin, 19 Mach 2013**

**Subject: Framework for Various Approaches**

### **Introduction and general comments**

The EU welcomes the decision at COP18 in Doha<sup>[1]</sup> launching a work programme and defining elements thereof for the establishment of a Framework for Various Approaches. Though the EU regrets that no agreement was reached on the scope and purpose of the Framework in Doha, we expect that SBSTA will address all relevant issues as part of the work programme. The EU believes that the COP should guide the definition of the Framework, including market based and non-market based approaches, to enable and secure a robust system that stimulates mitigation across broad segments of the economy while safeguarding environmental integrity. This would include common accounting rules and MRV requirements that would allow for the recognition of these efforts. The EU is open to considering further proposals by Parties on non-market approaches under this framework; however, it wishes to highlight the need to avoid duplication of discussions taking place under other workstreams.

The EU recalls the fundamental principles agreed at COP17 in Durban in relation to "Various approaches". These principles lay down that various approaches, including opportunities for using markets, must meet 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 [Decision 2/CP.17, para 79]. The EU further recalls the general principles relating to market-based mechanisms in the Cancun Agreement, including stimulating mitigation across broad segments of the economy, safeguarding environmental integrity and ensuring good governance and robust market functioning and regulation [Decision 1/CP.16, para 80].

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<sup>[1]</sup> Decision -/CP.18 (Agreed outcome pursuant the Bali Action Plan)

Since 2005, an array of regional and national market-based initiatives has been adopted by Parties, aiming at putting a price on greenhouse gas emissions and enhancing the cost-effectiveness of mitigation action. These initiatives will continue to be based on sovereign choices that Parties make to implement their mitigation commitments and should not be regulated under the UNFCCC. Discussions under the Framework for Various Approaches should however address the international aspects of those initiatives, including the implications of linking trading systems of different Parties, the use of carbon credits crossing the boundaries of national and regional schemes for a Party's implementation of its international commitment and the establishment of rules to facilitate the environmental integrity of such units.

This submission should be considered in conjunction with the previous submission of the EU on the Framework for Various Approaches in July 2012.

### **Organisation of the work programme**

The EU believes that we should draw upon the many exchanges of views throughout 2012, in particular the workshops held in Bonn and Bangkok and the constructive discussions at the sessions and at COP18. As an outcome at COP19 in Warsaw, the EU expects a COP decision clearly defining the Framework for Various Approaches, developing the five elements of the work programme established in Doha and providing a comprehensive framework in support of the operation and further expansion of the international carbon market.

### **Views of the elements to be addressed in the work programme**

#### **A. The purpose of the Framework**

The purpose of the Framework should be defined as follows:

"...establishing common accounting standards and conformity checks for units crossing the boundaries of national and regional schemes and used towards commitments under the Convention in order to maintain the highest level of environmental integrity and to safeguard the robust functioning of the international carbon market."

#### **B. The scope of approaches to be included under the Framework**

The Kyoto Protocol created 3 flexibility mechanisms: the Clean Development Mechanism, Joint Implementation and International Emission Trading. These flexibility mechanisms are multilaterally defined, operated and supervised. In addition, Parties also defined a New Market Mechanism at COP17 in Durban. This mechanism will operate under the guidance and authority of the Conference of the Parties and may assist Parties to meet part of their mitigation commitments under the Convention and the Kyoto Protocol. Modalities and procedures for the New Market Mechanism should be elaborated by and adopted at COP19.

At the moment, the four mechanisms mentioned above are the only multilaterally defined international carbon market mechanisms whose units may be used for meeting mitigation commitments in the UNFCCC framework.

It is the view of the EU that units used by Parties at the international level – i.e. for meeting commitments made under the UNFCCC – should either:

- i) originate from multilaterally defined UNFCCC carbon market mechanisms (the 4 mechanisms mentioned above); or
- ii) be recognised ex ante, through the Framework for Various Approaches, as eligible for use for meeting commitments under the UNFCCC.

Units belonging to category i) are covered by the modalities and procedures already adopted under the Kyoto Protocol and the modalities and procedures to be adopted at COP19 for the New Market Mechanism. In parallel, the scope of the Framework would encompass units belonging to category ii), and it would entail the development of common accounting standards under the UNFCCC and conformity checks for their recognition and transfer.

### **C. A set of criteria and procedures to ensure the environmental integrity of approaches in accordance with decision 2/CP.17, paragraph 79**

Safeguarding the environmental integrity of various approaches is a key principle for market-based approaches. It is the view of the EU that environmental integrity, *inter alia*, includes the following requirements:

- i. Net decrease/avoidance: in order to keep the 2°C objective within reach, units falling under the scope of the Framework represent a net decrease and/or avoidance of greenhouse gas emissions;
- ii. Permanence: the emission reduction generated shall be permanent;
- iii. Sustainable development: approaches should contribute to safe and sustainable development in the participating countries;
- iv. MRV: the emission reduction generated would be appropriately and transparently monitored, reported and verified;
- v. Accounting: units would be generated and used applying common and agreed accounting rules;
- vi. Oversight: safeguarding environmental integrity requires an agreed mechanism to reveal and correct activities not conforming to the rules and safeguards agreed under the UNFCCC.

The EU believes that in order to safeguard all components of the principle of environmental integrity, a set of criteria and procedures, agreed ex ante, should include the following:

- i. Eligibility criteria for mechanisms, activities and/or units, including for the development of national arrangements necessary for the international coordination of the activities;
- ii. Common approach to determine definition of broad segments of the economy;
- iii. Common approach to determine the net decrease and/or avoidance of emissions;
- iv. Common accounting system and methodologies, including a common approach to the basket of greenhouse gases, the use of a common metrics (global warming potential values), the length of baseline/reference and unit generating periods, the use of emissions factors, the avoidance of double counting etc.
- v. Common standards for ensuring the permanence of emission reductions;
- vi. Common requirements regarding the measurability of emission reductions and the quality of emission-related data;
- vii. Monitoring and independent verification requirements;
- viii. Review process led by a body established under the UNFCCC.

**D. Technical specifications to avoid double counting through accurate and consistent recording and tracking of mitigation outcomes**

It is the view of the EU that the work towards specifying technical design requirements under this element of the work programme needs to draw on a robust set of standards safeguarding environmental and market integrity.

Such technical specifications for tracking of units that represent mitigation outcomes should build on relevant experience in the international system of registries and best practice identified during the functioning of regional registries – for example the EU Transaction Log.

Regarding the main outline and contents of such technical specifications, they should

- i. Build on the existing infrastructure while simplifying and streamlining rules to reduce the costs for participation and enable wider access, where appropriate;
- ii. Require participating registries – either central or Party specific – to be in line with rules and checks defined under the UNFCCC;
- iii. Ensure transparency while respecting national sovereignty and the interests of private entities to maintain the privacy of certain information.

#### **E. The institutional arrangements for the framework**

The implementation of the Framework will require an institutional structure. Once in place, the Framework will require some permanent functions, including monitoring, review, maintenance of the technical infrastructure and oversight. This institutional structure should operate in a non-political manner, under the guidance and authority of the COP; the use of existing infrastructure for this purpose could be considered.

Further decisions on the institutional arrangements should assess the workload following from the permanent functions as well as the costs of different options.