

New Zealand Submission to SBSTA

Views on a work programme referred to in paragraphs 44 - 46 of document FCCC/CP/2012/8/Add.1, to elaborate a framework for various approaches to mitigation action and including information, experience and good practice relevant to the design and operation of various approaches.

May 2013

Context

1. Paragraph 44 of Decision 1/CP.18 requests the Subsidiary Body for Scientific and Technological Advice to conduct a work programme to elaborate a framework for various approaches (the "Framework"), drawing on the work of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention, with a view to recommending a draft decision to the Conference of the Parties at its nineteenth session.
2. This submission responds to the invitation to Parties and admitted observers to submit views on matters referred to in 44-46 of Decision 1/CP.18. It should be read in conjunction with previous New Zealand submissions particularly those dated March 2012 and July 2012.
3. New Zealand views the intrinsic purposes of the Framework, i.e. effective, efficient and trustworthy emissions reductions, also applying to non-market-based approaches.

Introduction

4. New Zealand welcomes the decisions made by Parties at COP 18 on market mechanisms. We see market mechanisms as an increasingly important tool to assist countries to address climate change. Markets are an efficient and flexible way for countries to meet emissions limitations or reduction commitments, to facilitate the transfer of technology and channel the flow of public and private finance.
5. The global carbon market is becoming increasingly complex and fragmented as more and more countries develop domestic and regional market mechanisms. Flexibility to develop these market mechanisms, that reflect a wide range of economies and emissions profiles, will be increasingly important in the context of a post-2020 legal agreement "applicable to all Parties". The Doha decisions have given us a clear mandate for practical and technical discussions on how the UNFCCC can facilitate and recognise a broad range of market and non-market mechanisms.
6. New Zealand supports a liquid global carbon market with broad participation and environmental integrity as this will allow countries the space to be more ambitious in their commitments.

7. The transition period to 2020 offers an important opportunity to better coordinate the global carbon market and to increase consistency across the mechanisms being developed at sub-national, national and regional levels. To take advantage of this opportunity we should identify common approaches across existing mechanisms.
8. For New Zealand the Framework is a management tool or approach to oversee the environmental integrity of the international carbon market system as a whole. Unlike the New Market Mechanisms the Framework would not, of itself, generate units.
9. The Framework establishes:
 - Minimum common standards, founded in IPCC methodologies, for market mechanisms both within and outside the UNFCCC;
 - A basis for demonstrating the environmental integrity of the units, and how they meet the minimum common standards, including the use of inventories, accounting and monitoring, reporting and verification;
 - A reporting approach that provides full transparency on how units are generated by domestic and regional market mechanisms;
 - International trading architecture such as registries and transaction logs, to support transparency, fungibility and the environmental integrity of market mechanisms both within and outside the UNFCCC. A system similar to the International Transaction Log would be well positioned to provide this record keeping service.
 - A platform to share ideas on establishing and maturing sub-national, national and regional carbon markets; and
 - A platform for sharing information on non-market-based approaches.

Work programme

10. New Zealand supports a work programme focussing on matters to in paragraphs 44 - 46 of Decision 1/CP.18. In our view it covers all the core elements of a framework – its purpose and scope, and a set of minimum common standards, guidelines and procedures to ensure environmental integrity of approaches and to avoid double counting.

Core elements

Goal, purpose and scope

11. New Zealand envisages the Framework will support a credible and coordinated international carbon market.

12. The goal of the Framework could be “to support international climate change action by facilitating a broad, efficient and coordinated international carbon market in a manner that assures environmental integrity”.
13. The purpose of the Framework could be “to facilitate and coordinate the interaction and alignment between existing and emerging market mechanisms (including UNFCCC mechanisms and national and regional initiatives) for international climate change action”.
14. The role of the Framework could include:
 - a. Elaborating minimum common standards, guidelines and procedures for national and regional market mechanisms that assure the environmental integrity and trustworthiness of:
 - i. Units that deliver real, permanent, additional and verified mitigation outcomes and achieve a net decrease and/or avoidance of emissions;
 - ii. Trading and use of units to avoid double counting;
 - b. Elaborating minimum common standards and guidelines for trading architecture, such as registries and transaction logs, to facilitate transactions between market mechanisms both within and outside the UNFCCC;
 - c. Facilitating the transparency, reporting and sharing of information on the units Parties are generating, trading and using to support their climate change action; and
 - d. Providing a platform to discuss the use of market mechanisms.

Minimum common standards, guidelines and procedures to ensure environmental integrity

15. An ideal Framework would be underpinned by minimum common standards for units that are traded internationally.
16. Parties seeking to trade internationally would then apply these minimum common standards, guidelines and procedures in the design of their carbon market. Using minimum common standards would assure the environmental integrity of the units being generated and traded.
17. New Zealand notes that Parties need to decide on the details of the minimum common standards. IPCC methodologies are currently used by all Parties to estimate their greenhouse gas emissions and removals. In New Zealand’s view, it would be beneficial to base minimum common standards on the IPCC methodologies and to have the IPCC principles of comprehensiveness, objectivity, openness and transparency underpin them.

18. Much can be learnt from the design and operation of existing emissions trading schemes. As a way forward New Zealand suggests that we develop an understanding of common approaches currently in operation around measurement, reporting, verification, auditing, accuracy, transparency, accounting, additionality and permanence. Increasing common approaches, where appropriate to reflect domestic circumstances, would facilitate the fungibility and equivalence of domestic emissions units, creating the foundation for trade between countries.
19. For New Zealand, transparency is a cornerstone of the Framework. Transparency is critical to build confidence in the environmental integrity of units generated and traded.
20. Parties generating units for international trading should publically provide information on what mechanisms they are using to generate those units, the standards and/or methodologies (including accounting) they are based on, and show how these units represent genuine, verifiable emissions reductions. The information and supporting evidence could then be held by the UNFCCC Secretariat and made available to any interested party.

Technical specifications to avoid double counting

21. The integrity of a unit needs to be maintained when it is transferred between individuals and companies domestically and between countries. In the latter case, each country's registry needs to clearly record every transaction and ensure that the origin of the unit remains easily identifiable. International registries, such as the International Transaction Log or similar tracking mechanisms, can be used to help track international transfer of units. This is particularly important if the unit is surrendered to the UNFCCC to meet emissions reduction commitments. Institutional arrangements

Institutional arrangements

22. Information and supporting evidence prepared by Parties could be included in the biennial reports and biennial update reports, and in turn integrated into international assessment and review (IAR) and international consultation and analysis (ICA) processes. This would give confidence that Parties are using market mechanisms consistently with the details of their declaration.
23. New Zealand is continuing to develop our ideas on the core elements of the Framework and looks forward to sharing them with others.