

New Zealand submission to the Subsidiary Body for Scientific and Technological Advice

Views on the implications of the implementation of decisions 2/CMP.7 to 5/CMP.7 on the previous CMP decisions on methodological issues related to the Kyoto Protocol, including those relating to Articles 5, 7 and 8 of the Kyoto Protocol, and on how these implications should be addressed.

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Introduction

1. This submission responds to the SBSTA 36 invitation to Parties to submit their views on the implications of the implementation of decisions 2/CMP.7 to 5/CMP.7 on the previous CMP decisions on methodological issues related to the Kyoto Protocol, including those relating to Articles 5, 7 and 8 of the Kyoto Protocol, and on how these implications should be addressed (FCCC/SBSTA/2012/L.16, paragraph 3(b)).

2. We note the SBSTA has requested the secretariat to make these submissions available on the UNFCCC website and compile them into a miscellaneous document before the technical workshop scheduled in Bonn from 8-10 October 2012.

Context

3. New Zealand welcomes the technical paper prepared by the Secretariat to assist Parties in identifying the implications of the implementation of decisions 2/CMP.7 to 5/CMP.7 on previous CMP decisions on methodological issues related to the Kyoto Protocol, including those relating to Articles 5, 7 and 8 of the Kyoto Protocol. This submission provides New Zealand's preliminary views on issues raised in the technical paper. We look forward to discussing the technical details at the workshop in Bonn and at SBSTA 37 in Doha.

Relevant issues

Reporting and review

4. The revision of relevant decisions on methodological decisions related to the Kyoto Protocol provides Parties with an opportunity to use their experiences from the first commitment period and to streamline decisions where it makes sense to do so. Areas where this could apply are in national system and national registry requirements and the nature of reviews, including the initial report.

5. New Zealand notes the large review load for Annex I Parties, the Secretariat and reviewers that will occur over the 2014-2016 period with the final first commitment period inventory reviews, the true-up report and subsequent review and the 6th national communication and 1st biennial report reviews. There is justification for rationalising the overall review process and re-visiting the requirement for in-depth reviews of the initial reports and the timing of the initial report.

6. In addition, New Zealand does not consider that the requirement for an in-depth review of the national system and national registry as part of the initial review for the second commitment period is necessary. The national registry and national system were thoroughly reviewed during the initial review for the first commitment period and are regularly and

comprehensively reviewed as part of the annual review process for national inventories. The resources that the Secretariat and Parties would need to expend to carry these out are unlikely to result in any benefits.

Registry

7. In relation to technical implication issues in decision 13/CMP.1 New Zealand welcomes the opportunity to review the requirements for publicly accessible information in light of Parties' experiences gained during the first commitment period.

8. New Zealand is a strong supporter of transparency but has some specific concerns with the amount of information related to individual accounts that is publicly available. A particular concern is information that could potentially present a security risk to the account-holder (e.g. phone numbers and email addresses), and information that may be commercially prejudicial to the account-holder (information relating to the types and amounts of units within an individual account). New Zealand would support a decision that addresses these concerns while ensuring sufficient public transparency.

Assigned amounts and initial review for the second commitment period

9. As the technical paper has identified, the start of the second commitment period raises a number of issues around the calculation and recording of assigned amounts, the submission of the initial report and its review. The procedures for the establishment of an assigned amount in decision 13/CMP.1, paragraph 2 and annex, paragraphs 5 - 8, relate to the first commitment period. These provisions need to be updated and consideration given, in light of the short timeframe between the adoption of the amendments to give effect to the second commitment period and its commencement, to an approach that is appropriate for the second commitment period. It is important that the second commitment period can operate in practice from 1 January 2013, or as soon as possible thereafter.

Eligibility under and participation in the Kyoto Protocol flexibility mechanisms

10. As noted in the technical paper, there are interdependent linkages between methodological issues being considered by the SBSTA and the on-going role of the Kyoto Protocol flexibility mechanisms. These issues are clearly critical for implementation of the second commitment period and need greater technical attention.

11. Market-based mechanisms are a vital component of the global effort to reduce greenhouse gas emissions. The flexibility mechanisms, including the Clean Development Mechanism (CDM) and International Emissions Trading (IET), have been essential tools in enabling Parties to take action to address climate change. According to the recent CDM Policy Dialogue High-Level Panel report "in the past decade, the CDM alone has helped nations mitigate approximately one billion tons of greenhouse gas emissions in a manner that realized US\$3.6 billion in savings for developed countries. Over this same period the CDM has mobilized more than US\$215 billion in investments in developing countries".

12. New Zealand agrees that all countries should be able to use CERs, as recommended by the CDM Policy Dialogue's High-Level Panel. We share the Panel's concern that restricting demand for CERs could allow the Kyoto carbon market to disintegrate.

13. Extending access to the flexibility mechanisms to all Parties has several benefits. It will:

- help facilitate global mitigation actions and ambition,
- assist with maintaining and increasing global demand (as more countries take on mitigation commitments),
- help preserve the international carbon market architecture, and
- further mobilise finance for climate change action, including through the levy for the Adaptation Fund.

Broad access is a pragmatic decision which reflects the diversity of mitigations actions and commitments Parties have made thus far.

14. If access to the flexibility mechanisms is restricted to only a small group of Parties, there is a risk that this will fragment the international carbon market, as Parties without access will develop their own mechanisms and will use alternative ways to trade them. If not well managed, this fragmentation could threaten the transparency and environmental integrity of unit trading. By contrast, extending access to the flexibility mechanisms for both developed and developing countries, with high standards of reporting, accounting and national systems required of all Parties that wish to participate, would both maintain and help to increase environmental integrity.

15. Restricting access to these mechanisms could also result in less ambitious mitigation targets in the future and impact the ability of developing country Parties to contribute to global emissions reductions.

16. During the Bangkok UNFCCC meeting, a useful spectrum of options for access to the flexibility mechanisms was presented. These options vary in terms of eligibility, i.e. who should have access, when those Parties will become eligible to access the flexibility mechanisms, which mechanisms they could access, and on what conditions.

17. The question of eligibility is a political one that will not be resolved in the SBSTA. It would therefore be unproductive for Parties during the October meeting of the SBSTA to focus on one or two options only in an attempt to pre-empt a Ministerial decision. It is more productive for the SBSTA 11(d) work programme to identify potential solutions to the technical issues for all options, without deciding on the relative priority to be accorded to the options. This will ensure that Ministers are fully informed during their discussions at COP 18 and that the technical solution appropriate to the option they choose can be quickly implemented, ensuring there is no delay in operationalising the second commitment period.

18. The technical issues relating to the operation of the flexibility mechanisms that need to be addressed for all options are identified in the technical paper (in particular, paragraphs 98 – 101). The current eligibility requirements, principally contained in decisions 2/CMP.1, 3/CMP.1, 9/CMP.1, 11/CMP.1, but also linked to decisions relating to the initial report, review and calculation and recording of assigned amounts, were designed for the first commitment period. These need to be revised for the second commitment period to reflect the current circumstances and ensure the smooth operation of the flexibility mechanisms from 1 January 2013.

19. New Zealand believes that the SBSTA has a responsibility to develop options to resolve the issues identified in the technical paper and clarify the criteria under which Parties may be able to access the flexibility mechanisms. This will allow the SBSTA to take forward all the options together effectively for Ministerial consideration. In doing so, Parties may wish to consider the reasons why certain criteria were chosen for the first commitment period, and ways

in which those objectives might be met in the current circumstances. In essence, the question would seem to be about what criteria are required to ensure the environmental integrity of units as they are created and traded.

Land-use, land-use change and forestry

Definition of 'reforestation' in the second commitment period

20. In relation to the definition of reforestation in the second commitment period (paragraph 59 of the technical paper), the UNFCCC Secretariat has advised that the definition of reforestation remains the same for the second commitment and that the second sentence of decision 16/CMP.1, paragraph 1(c) should therefore be read as "for the second commitment period, reforestation activities will be limited to reforestation occurring on those lands that did not contain forest on 31 December 1989".

Accounting for emissions arising from the conversion of natural forests to planted forests

21. The technical paper has not directly addressed the implications of the decisions in paragraph 5 to the annex to decision 2/CMP.7, which was that "each Party identified in Annex 1 shall report and account for, in accordance with Article 7, all emissions arising from the conversion of natural forests to planted forests."

22. Notwithstanding the placement of paragraph 5 to the annex 2/CMP.7 under the heading, "B. Article 3, paragraph 3" in the Annex, New Zealand supports the initial IPCC view that emissions associated with these conversions would already be accounted for under Article 3.4 Forest Management.

Addressing a net reversal of storage or a lack of certification reports associated with a CDM carbon capture project activity (paragraph 23 of the technical paper)

23. New Zealand would provisionally support providing for the cancellation of units following a net reversal of storage or a lack of certification reports associated with a carbon dioxide capture and storage project activity under the CDM, through an appropriate amendment to the accounting rules in the annex to decision 13/CMP1, subject to considering other Parties' views on this matter.

General approach to addressing the implications of decisions 2/CMP.7 to 5/CMP.7

24. New Zealand supports an approach to addressing the implications of decisions 2/CMP.7 to 5/CMP.7 that favours clarity, simplicity, the avoidance of doubts, and an efficient process regarding future decisions to be made.

25. On this basis, where a number of options exist to address the implications for past decisions, New Zealand would generally support the third option described in paragraph 84 of the technical paper, under Section VII/B *Options for addressing the implications*, which is "to issue a complete new set of revised decisions specifically for the purposes of the second commitment period".

26. We consider that this approach will best avoid doubt and enhance clarity, by avoiding multiple cross-referencing and retaining first commitment period -specific provisions intact, and

will provide the clearest direction for any subsequent decisions required by the CMP on further implications (as noted in paragraph 10).

Prioritisation of issues – and the need for further CMP decisions beyond Doha

27. New Zealand notes the point made in the technical paper, under *VII. Additional Considerations /F. Prioritisations of issues*, that while SBSTA has been requested to prepare draft decisions for adoption by the CMP at its 8th session in Doha, some issues may need to be addressed at subsequent sessions of the CMP.

28. These include, but are not limited to, the decision at Durban to adopt a reference levels approach to Article 3.4 Forest management accounting (introduced through decision 2/CMP.7, annex, paragraphs 12, 14–16, 33(a) and the appendix), which has a number of detailed technical implications for the decisions referred to in paragraphs 19 and 34 of the technical paper. For example:

- In paragraph 19, the technical paper notes that in relation to the implications for paragraph 26 of the annex to decision 13/CMP.1, “Guidance from Parties would be needed, in particular regarding cases of disagreement on technical corrections for reference levels, and whether such disagreements would lead to a question of implementation and, ultimately, to Parties being unable to issue the RMUs concerned”.
- In paragraph 34, the technical paper proposes that Parties may wish to add the concept of forest management reference levels to the technical guidance on methodologies for adjustments, referred to in paragraph 13 of the annex to decision 20/CMP.1.

29. However, the detailed guidance on the recalculation and application of technical corrections to reference levels is still in the process of being developed by the IPCC, as part of its work, under decision 2/CMP.7, to review and update supplementary methodologies for estimating emissions from LULUCF activities under Article 3, paragraphs 3 and 4, of the Kyoto Protocol, on the basis of, inter alia, chapter 4 of its Good practice guidance for LULUCF. This additional supplementary guidance is not expected to be available for consideration and adoption by Parties until November 2013.

30. New Zealand therefore agrees that final CMP decisions may not be possible on these and other detailed implications of decisions 2/CMP.7 to 5/CMP.7, at the CMP’s 8th session at Doha. We would accordingly support an appropriate sequencing of CMP decisions on implications, including in particular to reflect the 2013 delivery of the Revised Supplementary Methods and Good Practice Guidance for LULUCF. We consider however that any subsequent decisions required should be clearly identified, to ensure that they can be addressed in an effective and focused manner.

Specific comments

31. Please see Annex 1 for New Zealand’s detailed comments on the technical paper.

Conclusion

32. New Zealand looks forward to engaging on these issues and discussing the technical details, including all of the relevant decisions identified by the Secretariat in their technical paper, with other Parties at the technical workshop in Bonn (8-10 October 2012) and at SBSTA 37.

ANNEX 1 – DETAILED COMMENTS ON THE TECHNICAL PAPER

The following comments refer to the specific paragraphs of the Technical Paper.

33. Paragraph 12. New Zealand would support option (b) as the preferred option, followed by option (c).
34. Paragraph 14. New Zealand would support option (a) as the preferred option.
35. Paragraph 18. New Zealand would support option (c) as the preferred option.
36. Paragraph 19. Please see New Zealand's general comments on this paragraph in the main body of the submission.
37. Paragraph 20. New Zealand would support option (b) as the preferred option.
38. Paragraph 21. New Zealand would support recording information on reference levels in the CAD.
39. Paragraph 22. New Zealand provisionally supports recording information on technical corrections to reference levels in the CAD, subject to the 2013 Supplementary methodological guidance for LULUCF.
40. Paragraph 23. Please see New Zealand's general comments on this paragraph in the main body of the submission.
41. Paragraph 28. New Zealand would support option (b) as the preferred option.
42. Paragraph 32. New Zealand would support option (b) as the preferred option.
43. Paragraph 34. Please see New Zealand's general comments on this paragraph in the main body of the submission.
44. Paragraph 37. In relation to the suggestion that Parties may wish to consider revising the Tables of conservativeness factors in Appendix III of the annex to decision 20/CMP, New Zealand notes that, given the highly technical nature of these decisions, the implications of any changes require more detailed consideration than provided in the Technical Paper. We would therefore be interested to hear suggestions for how such detailed consideration could be undertaken.
45. Paragraph 44. New Zealand would support adding "Wetland drainage and management" into Table 2(a).
46. Paragraph 46. New Zealand agrees that the forthcoming guidance from the IPCC should be reflected, and would support option (b) as the preferred option.
47. Paragraph 47. New Zealand would support option (b) as the preferred option.

48. Paragraph 48. New Zealand would support option (a) as the preferred option.
49. Paragraph 49. New Zealand would support option (b) as the preferred option.
50. Paragraph 50. New Zealand would support qualifying that paragraph 9(d) is relevant only for the first commitment period.
51. Paragraph 54. New Zealand agrees that decision 5/CMP.1 remains valid for the second commitment period.
52. Paragraph 55. New Zealand would provisionally support making the application of decision 5/CMP.1 to the second commitment period clear and unambiguous, subject to hearing the views of other Parties.
53. Paragraph 56. New Zealand would provisionally support making the application of decision 6/CMP.1 to the second commitment period clear and unambiguous, subject to hearing the views of other Parties.
54. Paragraph 58. If the current provision in paragraph 3, decision 16/CMP.1 for “any future elaboration of these guidelines” is sufficient to encompass the application of the 2006 IPCC Guidelines to the second commitment period, then New Zealand would support leaving this paragraph unaltered.
55. Paragraph 59. Please see New Zealand’s general comments on this paragraph in the main body of the submission.
56. Paragraph 60. New Zealand would support option (b) as the preferred option.
57. Paragraph 62. New Zealand agrees that the guidance contained in Annex 1 to decision 15/CP.10 would need to be revised to be consistent with decisions 2/CMP.7 to 5/CMP.7, and that such revisions should be consistent with revisions made elsewhere to reflect the Durban decisions.
58. Paragraph 64. New Zealand would support the indicated revisions to the CRF tables, and notes that further revisions would also be required to take into account the proposed treatment of natural disturbance emissions (paragraphs 33-36, annex 2/CMP.7), and carbon equivalent forests (paragraph 37, annex 2/CMP.7).
59. Paragraph 65 (a-d). New Zealand would support the suggested revisions, and notes that further revisions would also be required to take into the proposed treatment of natural disturbance emissions (paragraphs 33-36, annex 2/CMP.7), and carbon equivalent forests (paragraph 37, annex 2/CMP.7).
60. Paragraph 66. New Zealand agrees that changes would be required to the CRF Reporter software, and suggests it could be useful to trial the new software for a period, before its final implementation.