

**THE CZECH REPUBLIC ON BEHALF OF THE EUROPEAN COMMUNITY AND
ITS MEMBER STATES**

Prague, 29 March 2009

Subject: Enhanced action on mitigation (1bi, 1bii of the Bali Action Plan)

**Fifth session of the Ad Hoc Working Group on Long-term Cooperative Action under the
Convention (AWG-LCA 5) Bonn, 29 March - 8 April 2009**

The Czech Republic, on behalf of the European Community and its Member States, welcomes the opportunity to submit further views, ideas and proposals on the elements contained in paragraph 1 of the Bali Action Plan (BAP). This submission builds on earlier submission, in particular the AWG LCA submission of 14 November, 2008 on mitigation that we submitted before the fourth session of the AWG-LCA in Poznan, Poland.

Urgency to act

The Copenhagen agreement must be based on the **best available scientific evidence** as presented by the Intergovernmental Panel on Climate Change (IPCC) in its Fourth Assessment Report (AR4) and by scientific studies published since then. To avoid dangerous climate change the increase in global mean surface temperature needs to stay below 2°C compared with pre-industrial levels. This means that global greenhouse gas (GHG) emissions should peak by 2020 at the latest and be reduced by at least 50% as compared with 1990 levels by 2050 and continue to decline thereafter.

Economics tells us that **early action will reduce costs** and that **no action will result in considerably higher costs**. A Copenhagen agreement has to enable the shift needed towards a low carbon society consistent with the 2°C objective. Delayed action will increase the risk of not obtaining this objective.

Developed Countries - commitments

Developed countries need to take the lead. To achieve a global emissions trajectory consistent with the lowest levels of stabilisation assessed, developed countries should collectively reduce their GHG emissions by 25-40% by 2020 and by 80-95% by 2050 compared to 1990 levels, as indicated in the IPCC AR4.

The Copenhagen Agreement should set binding quantified emission limitation or reduction commitments for developed countries comprising at least all Parties listed in Annex I to the UNFCCC and all current EU Member States, EU candidate countries and potential candidate countries that are not included in Annex I to the UNFCCC. These countries should propose, as soon as possible and no later than by mid year, ***quantified emission limitation or reduction commitments*** for the medium-term, consistent with the achievement of the objectives for this group as a whole.

We invite other non Annex I Parties that are at levels of development and GDP/capita comparable to those of the group of developed countries, notably OECD member countries and candidates for membership thereof, to consider making similar commitments in line with their responsibilities, capabilities and national circumstances.

The EU has already unilaterally committed to reduce its emissions to 20% below 1990 levels by 2020 and proposes that developed countries commit to collectively reduce their emissions of GHGs in the order of 30% by 2020. The EU is committed to move to a 30% reduction as part of a global and comprehensive agreement provided that other developed countries commit themselves to comparable emission reductions and that developing countries contribute with nationally appropriate mitigation actions in the context of sustainable development according to their responsibilities and respective capabilities.

The distribution of the overall target for developed countries should be guided by considerations of capability and responsibility, making use of a balanced combination of criteria, such as:

- the capability to pay for domestic emission reductions and to purchase emission reduction credits from developing countries;
- the GHG emission reduction potential;
- domestic early action to reduce GHG emissions;
- population trends and total GHG emissions.

Developing Countries - action and support

Developing countries that have already developed national mitigation strategies and programmes could stand as a model for other developing countries. We propose that all developing countries integrate such **Low Carbon Development Strategies and Plans (LCDS) covering all key emitting sectors into national and sectoral strategies** and have these in place no later than 2012. The preparation of LCDSs for the least developed countries should be supported financially and technically.

We call upon the most advanced developing countries to propose ambitious LCDSs, or update existing ones, already before Copenhagen to demonstrate enhanced contributions the global effort.

These LCDSs should become the underpinning structure for linking action with support in a measurable, supportable and verifiable (MRV) manner and for enhanced contributions by developing countries to the global effort consistent with the level of ambition required to keep the 2 degree C objective within reach. Recent analysis indicates that this should result in a deviation of emission growth rates in the order of 15 to 30% below business as usual by 2020 for the developing countries as a group.

We propose that LCDSs should differentiate between those actions that can be undertaken autonomously and those that require support. Some actions will imply low or negative cost and can be implemented unilaterally or with some support for addressing implementation barriers. Other actions may need to be supported and enabled by technology, financing and capacity-building. Combined with the unilateral contribution these actions should lead to an appropriate deviation from baseline by 2020. Further mitigation actions beyond those identified above could be rewarded through international carbon crediting mechanisms.

The EU also proposes to explore the **establishment of a coordination instrument, including a registry of nationally appropriate mitigation actions** (similar to proposals by South Korea and South Africa) to ensure a sufficient level of ambition in the LCDSs and to provide an efficient process to direct support, taking into account the associated emission reductions and capability of each country so as to maximise the emissions reductions achieved with regard to the support provided.

Guidelines should be agreed for these strategies, including on accessing support in terms of technology, financing and capacity-building, and for evaluating the overall level of ambition. To facilitate assessment of the need for support, the LCDSs should include, e.g., assessments of (i) the specific technology and financial needs and costs related to all identified mitigation actions, (ii) obstacles for the effective deployment and diffusion of prioritised technologies related to the mitigation actions, and (iii) needs for related capacity building.

Policy approaches and positive incentives on issues relating to **reducing emissions from deforestation and forest degradation (REDD)** should be included in the LCDS as well. We support the development of financing mechanisms under the UNFCCC, taking into account existing arrangements, to support developing countries reducing emissions from deforestation and forest degradation in order to reduce gross tropical deforestation by at least 50% by 2020 compared to current levels and to halt global forest cover loss by 2030 at the latest. **Support must be performance-based** and provided on the basis of verified results in terms of avoided emissions from gross deforestation and forest degradation, while promoting the role of conservation, sustainable forest management, and enhancement of forest carbon stocks. Incentives provided and measures taken under these provisions should ensure the achievement of co-benefits, including the protection of biodiversity, increased resilience and improved livelihoods in forest regions.

The linking of MRV action with support in a MRV manner requires a well functioning exchange of information between Parties. MRV of actions and resulting emission reductions, also in developing countries, is indispensable as it will provide reliable data to underpin efficient decision making processes for all Parties for the implementation of mitigation actions and technological and financial support. Annual inventories should be provided by all Parties as soon as possible and not later than 2011, at least for the key emitting sectors facilitated by comprehensive capacity building and technical and financial support.

To ensure a more robust and transparent system of MRV for action and support for both developed and developing countries we need to build on and strengthen wherever possible the existing international review processes under the UNFCCC and its Kyoto Protocol.

Carbon market – an issue both for the AWG-LCA and AWG-KP

One avenue for support for enhanced mitigation action in developing countries is through the use of carbon market mechanisms.

We propose to create sector-specific mechanisms. **New sectoral mechanisms will present opportunities for developing countries and have additional benefits compared to existing mechanisms.** They operate at a greater scale than the CDM and therefore provide possibilities for more structural transformation of sectors. They give countries more flexibility on how to take actions within a sector. They could improve the efficiency of the economy. And when they incorporate a cap, they allow for the issuance of significant financial assets on an ex-ante basis (prior to emission reductions) rather than after confirmation of emission reductions.

The further development of carbon market mechanisms requires a common understanding in the AWG-KP and in the AWG-LCA. It is a relevant issue for the AWG-KP as the mitigation actions of both developed and of developing countries will need reflection in the market mechanisms, in the CDM and in new mechanisms. Such further development of the global carbon market in developing countries will be highly relevant for the scale of the market. It is also relevant for the AWG-LCA, as the use of these mechanisms could be included in the low-carbon development strategies and generate substantial revenues.

HFCs

The accelerated phase-out of HCFCs mandated under the Montreal Protocol may further add to a rapid increase in the use of HFCs, many of which are very potent GHGs. The EU therefore proposes that the Copenhagen agreement includes an international emission reduction arrangement for HFC emissions.

Bunker fuels

All sectors of the economy should contribute to limit emissions, including international maritime shipping and aviation, a large and rapidly growing source of GHG emissions. Global emission reduction targets for these sectors should be incorporated into the Copenhagen agreement and Parties need to commit to work through ICAO and IMO to enable international agreement before the end of 2010 to be approved by 2011. Also in this context the EU acknowledges that market-based instruments can ensure cost-effective emission reductions.

Enhanced support

The EU highlights that the latest estimates from the European Commission indicate that the net global incremental investment, both public and private, to reduce global greenhouse gas emissions to a level compatible with the 2°C objective needs to increase to around EUR 175 billion per year in 2020. Current analyses also indicate that more than half of this will have to be made in developing countries.

Many actions have low incremental costs or even generate a net benefit in the medium-term. However the EU recognises that substantial support of an appropriate scale from both private and public sources will be required in order to ensure the necessary investments are made.

Adequate, predictable and timely financial support for implementation of a Copenhagen agreement is crucial and the EU is prepared to take its fair share as part of a comprehensive Copenhagen agreement.

Private funding will be, via appropriate policy frameworks, the main source of necessary investments. Complementary **public finance** is needed in areas that cannot be adequately financed by the private sector **to leverage private investments and to provide incentives for additional efforts**. Carbon market related support also has the potential to play a significant role in reducing emissions.

Significant domestic and external sources of finance, both private and public, will be required for financing mitigation and adaptation actions, particularly in the most vulnerable developing countries. Further discussions on generating financial support should focus on *inter alia*:

- a contributory approach based on an agreed scale
- market-based approaches based on auctioning arrangements
- a combination of these and other options.

These options could potentially be complemented by funding resulting from a global instrument addressing international aviation and maritime transport. The EU is of the view that all funding for climate change from bilateral and multilateral channels inside and outside the UNFCCC should be recognised and remains important.

Technology

Significantly enhanced deployment and diffusion as well as research, development and demonstration (RD&D) of low-carbon climate resilient technologies are needed to support the practical implementation of mitigation and adaptation efforts by all countries.

To ensure that support for mitigation related technologies in developing countries is adequate and appropriate, LCDSs should assess the technology needs to implement appropriate mitigation action. The integration of technology needs will assist in developing tailor-made solutions according to national circumstances. LCDSs should also include public policies that assist the creation of enabling environments.

Provisions on financing technology related research, development, deployment and diffusion should form an integral part of the Copenhagen agreement. These should lead to a substantial increase of private and public energy-related RD&D compared to current levels, working towards at least a doubling of global energy-related RD&D by 2012 and increasing it to four times its current level by 2020, with a significant shift in emphasis towards safe and sustainable low greenhouse-gas-emitting technologies, especially renewable energy.

Cooperation on RD&D efforts between developed and developing countries as well as public and private sector actors is essential in achieving common technology goals. For that reason developed countries should commit to working with developing countries to explore how joint RD&D efforts could be taken forward as part of the Copenhagen agreement.

Also, we recognise the value of establishing and strengthening national and regional centres of technological innovation, and networks between these, to promote technology development and transfer, stimulate capacity-building and improve access to information.

Periodic Review

A periodic review of progress towards the ultimate objective of the Convention and actions related to mitigation, adaptation and means of implementation as an integral part of the Copenhagen agreement is needed.

A comprehensive review with consideration of future emission reduction requirements and targets needs to take place not later than 2016 in light of the Fifth Assessment Report of the IPCC.
