

SUBMISSION BY MEXICO

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Subject: Enabling the full, effective and sustained implementation of the Convention through long-term cooperative action now, up to and beyond 2012

(b) Enhanced national/international action on mitigation of climate change.

Parragraph 1. (b) (iii) of the Bali Action Plan: Policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries.

The Second Session of the Ad Hoc Working Group on Long Term Cooperative Action (AWG-LCA) under the United Nations Framework Convention on Climate Change (UNFCCC), held in Bonn, Germany, invited Parties and accredited observer organizations to provide views related to Paragraph I of the Bali Action Plan, before the Third Session of the AWG-LCA to be held in Accra, Ghana, between 21st-27th August, 2008.

With the aim of contributing to the negotiations on policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries (REDD), and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries, Mexico submits the following points of view to the AWG-LCA.

In order to ensure sustainability and equity, Mexico's interest in policy approaches and positive incentives on issues relating to REDD, is to ensure the broadest country participation possible. To this end, it is vital to recognize that different national circumstances across countries will determine different levels of participation and will require targeted, positive incentives to move forward.

We also consider that any scheme for the promotion of REDD activities should be progressive and founded upon capacity building, institutional strengthening and the development of technological and financial enabling environments. These aspects should be promoted according to each country's needs and national circumstances.

In this regard, there is a need for the development of criteria that could shed light on how to configure groupings of countries of similar characteristics that could pursue similar objectives. It will be critical to guarantee that any grouping of countries does not pre-determine the scale at which REDD activities be conducted, rather allowing each country to decide, based upon their actual capacities, the appropriate scale at which REDD activities be initiated.

Other areas of interest for Mexico, as stated in our Special Climate Change Program -currently in its final stages of completion-, are carbon conservation, carbon sequestration, carbon substitution and the stabilization of the forest-agriculture frontier. We consider that positive incentives should also be channeled towards such areas where actions result in local and global benefits.

Some identified specific actions where positive incentives are needed for capacity building and institutional strengthening are: monitoring, modeling, data collection and use, ecosystem protection infrastructure, operational needs and the conducting of public consultations, amongst others.

Positive incentives will also be of critical importance for allowing countries to attain adequate capacities for participating in REDD activities. Mexico favors allowing sufficient flexibility to accommodate any financial scheme or source of positive incentives that could cover different countries' needs, according to their national circumstances.

Some of the positive incentives identified as relevant to the promotion of REDD activities, as well as of conservation, sustainable management of the forest and other means to increase the forest carbon stock, are:

Financing for capacity building. Developing countries need support for capacity building at the individual, institutional and systemic level, during all stages of implementation of REDD activities. Differences amongst countries reveal the need for targeted support in this regard. Provision should also be allowed for countries applying for support to develop a market condition stage, so that all stages - readiness, implementation and/or market development- can be eligible for support.

Technological and technical cooperation. REDD activities depend on the existence of appropriate technology, know-how and the diffusion of best practices. In the development of REDD activities, national technology development and deployment as well as North-South and South-South technology transfer and technical cooperation should be included as project assessment criteria.

Participation in the carbon market. In order to increase the cost-effectiveness of REDD activities, it will be fundamental to account for their participation in the carbon market. In this regard, Mexico considers that the CDM, as it currently stands, does not seem to be the most convenient tool for promoting REDD activities and that therefore a need exists for an in-depth analysis on how to best to integrate REDD into the carbon market. We consider that the AWG-LCA should recognize the importance of the carbon market for the deployment of REDD activities, and that discussions on how to appropriately integrate REDD activities within this market should be conducted in the context of the Second Review of the Kyoto Protocol, pursuant to its Article 9 for the current commitment period, and in the context of the AWG-KP for the post-2012 period.

Creation of Funds. While the carbon market should be the main source of financing for REDD activities, they would also benefit from a funding scheme that could complement this source. Funds will play a critical role for activities such as capacity building (including the strengthening of national capacities for monitoring, assessment and modeling of carbon stocks and carbon storage potential), institutional strengthening, conservation, sustainable management of the forest and other means to increase the forest carbon stock, which need non-return funds in order to be deployed.

Mexico also considers that early actions undertaken by developing countries on the issue of REDD should be recognized and rewarded with positive incentives from any financial scheme.

With regard to institutional arrangements, there is a need to integrate the work of relevant agencies, multilateral banks and diverse mechanisms relevant to REDD, in order to combine efforts, avoid

duplication, assure consistency, guarantee fund source coordination and the provision of a single REDD platform.

Mexico's proposal for the creation of a World Fund on Climate Change (or "Green Fund") has the objective of scaling-up global mitigation efforts by expanding the participation in clean development activities to include as many countries as possible, through the provision of an equitable, efficient, effective and scalable multilateral mechanism, aimed at transforming financial resources into action on mitigation, with possible derivatives for adaptation and clean technology transfer projects.

In short, we need to reinforce our capacities to advance in these areas and Mexico considers that the provision of positive incentives could favor the strengthening of national capacities.