A Proposal for AWG-LCA and AWG-KP
Republic of Korea

For Finance and Technology Transfer Mechanism (AWG-LCA) & Clean Development Mechanism (AWG-KP): Carbon Credit for NAMAs

Proposal: To recognize carbon credit for the verifiable mitigation arising from certain NAMAs (Nationally Appropriate Mitigation Actions) as is agreed and contained in paragraph 1(b)(ii) of the Bali Action Plan. Carbon credit for NAMAs could be established either under the UNFCCC as one of the means of financing and technology transfer mechanism for the implementation of paragraph 1(b)(ii) of the Bali Action Plan or as an enhancement of the current CDM under the Kyoto Protocol as part of CDM reform package. Revenues from the sale of the credit could provide incentives for developing countries to initiate NAMAs which are not directly supported by developed countries. Public financing from developed countries would not be sufficient to support all the NAMAs of developing countries. Carbon credit for certain NAMAs would channel financial resources and technologies necessary for NAMAs which otherwise would not happen. REDD would be one of the important NAMAs and carbon credit for REDD could be a good example for crediting NAMAs.

To credit NAMAs could be to enhance the current project-based CDM towards program- and policy-based crediting mechanism. Sectoral targets or cap-and-trade schemes, which are not eligible for credit under the current CDM, could be the NAMAs that would be eligible for credit.

Not all NAMAs would generate credit. Only those NAMAs not supported with financing and technology transfer by developed countries should be eligible for credit. Credit should be given only to the verifiable quantity of mitigation from NAMAs. There have to be criteria and standards for verification to maintain environmental integrity, which could be built on the existing rules of the CDM.

The scope of NAMAs eligible for credit would have to be reviewed and decided by the COP. NAMAs which are difficult to be financed by the direct support from public funds of developed countries and those of high cost which could not be initiated by developing countries in business-as-usual circumstances could be eligible for credit.

Rationale: NAMAs are expected to be supported by developed countries as is stipulated in the Bali Action Plan. However, public funds would not be sufficient to support all the NAMAs to be taken by developing countries. Public funds are limited in scope and size and would not be large enough to cover all financing and technology transfer needs of developing countries.

This is why we need to look into the possibility of seeking resources from private sector and carbon market of developed countries to support and provide incentives for NAMAs of developing countries.

By linking certain NAMAs with carbon market, we can support and provide incentives for NAMAs which otherwise would not be able to be initiated due to the lack of support from public funds of developed countries. Carbon market could be a sustainable source of financial flow for NAMAs. If Parties agree to recognize carbon credit for the verifiable mitigation from certain NAMAs, then developing countries could have a sustainable source of finance and technology transfer in the form of carbon credit. Carbon credit could also provide incentives for investment in certain mitigation projects in developing countries.

Criteria and scope of credit: Credit could be given to the actual mitigation verified according to the criteria and standards comparable to the current CDM methodology in order to ensure environmental integrity. Not all NAMAs can generate verifiable mitigations. Only a small portion of NAMAs could be able to be verified as actual mitigation. Carbon credit would be given to specific verifiable mitigation actions. Moreover, NAMAs supported by developed countries should not be eligible for credit. Credit could be given to the NAMAs with such high cost that developing countries are not able to initiate investment in those NAMAs in business-as-usual situations if there is no credit.

To go beyond carbon off-setting mechanism: Carbon crediting is an off-setting mechanism in its original scheme. However, it could be improved to go beyond carbon off-setting mechanism if certain portion of the carbon credit is discounted and retired from the global carbon market. If certain portion of the carbon credit is not sold in the market and is permanently retired from the market, then it could be counted as a global net reduction. Discounting of carbon credit could also be used to enhance the

environmental integrity of credit from NAMAs and counter-balance the low degree of rigidity of verification.

It could also go beyond carbon off-setting mechanism if the Annex I Parties to the UNFCCC raise the level of their GHG reduction commitments in anticipation of the carbon credit to be supplied from certain NAMAs. Additional commitments of the Annex I Parties could be counted as additional net global reduction generated by the carbon credit mechanism.

Negotiation for details: Parties could agree on the principle of recognizing carbon credit for the verifiable mitigation from certain NAMAs, which are not supported by developed countries, as part of the agreed outcome that could be adopted at COP 15. Details on operating the carbon credit mechanism for NAMAs, such as the criteria for verification, scope of NAMAs which could qualify for credit and the possibility of discounting credit, could be worked out after the COP 15 as was the case of the CDM under the Kyoto Protocol.

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