

Submission by the Russian Federation Outline of Presentation on the Voluntary Commitments

1. Existing legal framework.

The existing framework of the UNFCCC and the Kyoto Protocol (KP) is very strictly regulated and doesn't provide for taking on voluntary commitments by countries to reduce or limit their GHGs emissions. In accordance with the existing provisions, only Parties included in Annex I to the UNFCCC have corresponding commitments, while Parties included in Annex B to the Kyoto Protocol have quantified commitments under the Protocol.

A Party not included in Annex I willing to take on commitments, may only refer to Article 4.2g of the UNFCCC, which states that "any Party not included in Annex I may ... at any time thereafter notify the Depository that it intends to be bound by subparagraphs (a) and (b) above".

If a Party to the UNFCCC, announcing such an intention, is at the same time a Party to the KP, then according to Article 1.7 of the KP, such Party is a Party included in Annex I for the KP purposes, but not a Party included in Annex I for the UNFCCC purposes.

Moreover, if the above-mentioned Party wishes to participate in the flexibility mechanisms, it will have to attain adoption of an amendment to Annex B to the KP, which defines quantified emission reduction or limitation commitments. Adoption of such an amendment to Annex B to the Protocol requires its ratification by three quarters of the Parties to the KP.

Currently Kazakhstan is following this path, not being a Party to the KP but having expressed its intention to take on commitments under Article 4.2g of the UNFCCC in 2000. Belarus, being a Party to the KP, put forward an amendment to Annex B in 2006 in order to obtain access to the mechanisms. At this moment the amendment is open for ratification by the Parties to the KP.

Apart from the above-mentioned cumbersome bureaucratic procedures, the UNFCCC and the KP do not contain any reference to voluntary commitments of countries, their approval and incentives mechanisms.

The Russian delegation has been highlighting this principal deficiency of the Kyoto system throughout the negotiations. The situation reached its peak at the COP-11/CMP-1 in Montreal in the course of discussions on the mandate of the Ad Hoc Working Group on Further Commitments for Annex I Parties (AWG) for the second period under the Kyoto Protocol. We insisted on including into the mandate of the AWG a provision for elaboration of the

simplified procedures for countries that wish to enter into the commitments of the Parties included in Annex B to the Kyoto Protocol.

Supporting in principle the idea of voluntary commitments, Parties did not agree on expansion of the AWG mandate and limited it to a mere review of further commitments for the Parties included in Annex B.

Therefore, the goal of the Russian Proposal is to make the current framework of the UNFCCC and the Kyoto protocol more attractive for Parties, providing them with opportunities to contribute to achieving the ultimate objective of the UNFCCC.

Taking into consideration the realities of the negotiation process on Article 3.9 of the Protocol, as well as the on-going debates over the necessity to develop a new, comprehensive agreement to substitute or to complement the Kyoto Protocol after 2012, our suggestion is to urgently launch the elaboration of a procedure for adoption of voluntary commitments, which could prospectively become an element of a new agreement. In our view, it is unacceptable to build an international regime that creates barriers and prohibitions to the countries willing to make a further contribution to the reduction of the anthropogenic impact on the climate.

Practical steps towards further advancement of the initiative on voluntary commitments and the choice of further action depend on the course of negotiations on Article 3.9 of the KP and, in general, on the readiness of all the UNFCCC Parties to recognize the need for improved approaches to addressing climate change compared to those provided by the Kyoto Protocol.

2. Possible options for voluntary commitments

Climate change is not a priority issue for the national policy in countries with rapidly growing economies and in developing countries, as these countries need first to solve such problems as food security, access to energy resources, health care, development and maintenance of infrastructure necessary for the growth of public welfare. These countries could only participate in the global effort aimed at emission reduction provided that the actions taken would enhance their economic development and integration into the global economy.

Voluntary commitments will, therefore, only be an effective and attractive instrument provided the measures leading to emission reduction are aimed at narrowing the gap between the industrialized and developing countries and at achieving sustainable development goals.

Voluntary commitments may be divided into the following types:**a) absolute GHGs emission reduction targets.**

Percentage reduction in relation to a base year in all economic sectors; setting of absolute targets for specific economic sector is also possible.

b) relative GHGs emission reduction targets.

More flexible are commitments based on relative figures (e.g. energy intensity of GDP, carbon intensity of GDP, energy intensity per capita, and carbon intensity per capita). Such commitments may be applied either to the whole country or to specified sectors. For instance, in 1999 Argentina came forward with an initiative to limit its GHGs emission growth on a voluntary basis and bound itself not to exceed 0.5% GHGs emission growth when GDP grows by 1%. The initiative of Argentina was left unnoticed by the UNFCCC Parties.

c) commitments based on implementation of national policies and measures:

Development of a national emissions trading system by sector with further access to the external carbon market. Introduction of a tax or price policy, which promotes energy saving and deployment of new technologies.

d) commitments based on development, deployment and expansion of low-carbon technologies.**Voluntary commitments could be conditional and unconditional.**

Conditional commitments – a Party takes on commitments under the condition that it will be provided with technologies/financing in order to achieve voluntary targets.

Unconditional commitments – a Party achieves voluntary targets using its own resources, and uses the resulting benefits to attain its own development goals.

In general, the framework for voluntary commitments should be based on the “bottom-up” principle, hereby taking national circumstances and development priorities of the Parties into the utmost consideration.

Examples of voluntary commitments in specific economic sectors. Emission reductions due to avoided deforestation.

Currently a group of developing countries is coming forward with voluntary initiatives to reduce emissions through lowering the rate of deforestation. According to expert assessments, due to deforestation, up to 40 Mt CO₂ will be additionally released into the atmosphere in 2008-2012. This mere example shows the necessity for an urgent development of a procedure for adoption of voluntary commitments and a system of incentives for countries that take on such commitments.

3. Possible incentives for adoption of voluntary commitments.

The main principle of voluntary commitments is no-regret emission reduction measures by countries. If a Party has not achieved its stated voluntary targets, it does not enter into a non-compliance regime and does not incur penalties. In the case of success, a Party gains various financial or technological benefits.

Possible types of benefits:

a) Emission trading – a party gets an opportunity to sell its saved carbon units at the international exchange or to transfer them to the international carbon depository (e.g. under the auspices of the World Bank). Units from the depository may be converted at any time into direct funding, technology patents, and other sorts of tangible and intangible assets available for the country in order to achieve its sustainable development goals.

b) Establishment of the international technology fund – governments of industrialized countries purchase licenses for the best available technologies from companies with the right to their application in developing countries, which have declared voluntary emission reduction targets. The most effective way is to provide assistance in expansion of technologies and corresponding infrastructure (e.g. construction of a biofuel power plant and a network of distributional stations, production of emission-free coal boilers, etc.) rather than direct financing. In other words, it is not only transfer of technologies, but also transfer of means of production to developing countries.

c) Financing of adaptation to the observed and projected climate change impacts in a country that has taken voluntary GHGs emission reduction/limitation commitments.

d) Establishment of an international insurance fund that insures against the risks for companies transferring technologies to developing countries.

4. Existing challenges for consideration of voluntary commitments.

While developing a procedure for adoption of voluntary commitments, one is coming across a number of surmountable barriers. To make a framework for voluntary commitments effective, it is important to ensure the following:

- a. Determination and assessment of voluntary targets.
- b. Determination of baselines and verification of the achieved emission reductions.
- c. Approval of appropriate incentives by all the UNFCCC Parties.
- d. Approval of the UNFCCC decision package on adoption of the voluntary commitments.

5. Options for further action:

a) on the existing institutional basis

Currently a Party's transition from one category to another (e.g. inclusion in the Annex I) is regulated by the approval (permission) system under the UNFCCC and the KP. Thus, a Party is not able to take on new or additional commitments and gain access to economic mechanisms without a majority approval. It is necessary to substantially streamline the procedure of inclusion of Parties into the Annex I, limiting the process to a mere decision of the Conference of the Parties to approve the willingness of a specific Party to take on commitments.

b) elaboration of new procedures under the UNFCCC provisions

Taking into account the inflexible construction of the KP, it is expedient to consider a system for voluntary commitments within the framework of the Convention. While considering a system for voluntary commitments, it is necessary to introduce a new differentiation principle for countries according to the level of their economic development and national circumstances.

6. Voluntary initiatives of countries as a basis for enhancing the principle of common but differentiated responsibilities.

The system of voluntary commitments is an efficient international mechanism. It takes maximum consideration of the national circumstances of countries and fulfils their ambition to achieve sustainable development. At the

same time it fully corresponds to the principle of common but differentiated responsibilities and to the Article 2 of the Convention.

A number of the Parties to the UNFCCC have already come forward with initiatives for taking voluntary actions to reduce GHG emissions in different economic sectors; notably among such countries are both industrialized and developing ones, which are the largest GHG emitters.

It is important to note that Parties declaring their emission reduction programmes have already taken into consideration their socio-economic policy and development plans. The collective effect from implementation of such voluntary actions will provide a substantial contribution to achieving the ultimate objective of the UNFCCC, to substitute or complement the implementation of the commitments under the Kyoto Protocol. Thus, integration of such voluntary initiatives in the framework of the UNFCCC may become a basis for future joint global actions. Application of the emission trading mechanisms and technology transfer will make the regime flexible, attractive to the Parties and agreeable to their needs and national circumstances.

As a first step forward, the Parties to the UNFCCC should take a political decision, recognizing the importance of voluntary initiatives by countries in achieving the objective, stated in Article 2 of the Convention, and calling for an early development of the necessary incentives and procedures in order to encourage the Parties to the UNFCCC to take on voluntary commitments on GHGs emission reduction or limitation.