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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

**AD HOC WORKING GROUP ON FURTHER COMMITMENTS
FOR ANNEX I PARTIES UNDER THE KYOTO PROTOCOL**

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Item 3 of the provisional agenda

Analysis of means to reach emission reduction targets and identification of ways to enhance their effectiveness and contribution to sustainable development

Views and information on the means to achieve mitigation objectives of Annex I Parties

Submissions from Parties

Addendum

1. In addition to the 11 submissions contained in document FCCC/KP/AWG/2008/MISC.1 and Add.1 and 2, one further submission has been received.
2. In accordance with the procedure for miscellaneous documents, this submission is attached and reproduced* in the language in which it was received and without formal editing.

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SUBMISSION FROM TUVALU

SUBMISSION ON THE AD HOC WORKING GROUP ON FURTHER COMMITMENTS FOR ANNEX I PARTIES UNDER THE KYOTO PROTOCOL

The Government of Tuvalu has pleasure in offering our views and information on the means to achieve the mitigation objectives of Annex I Parties referred to in document FCCC/KP/AWG/2006/4, paragraph 17 (b) and on the topics to be covered and the experts/organizations to be invited to participate in the in-session thematic workshop referred to in paragraph 5 (a) of FCCC/KP/AWG/2007/L.6/Rev.1. Our submission follows the major thematic issues to be considered.

1. Analysis of means that may be available to Annex I Parties to reach their emission reduction targets, including: emissions trading and the project-based mechanisms under the Kyoto Protocol.

As a primary objective for achieving effective action under the Kyoto Protocol, Tuvalu believes that Annex I Parties should work towards a target that is greater than a global aggregate of a 40% reduction of greenhouse gas emissions by 2020 compared with 1990 levels. To achieve these levels of reductions much more aggressive action is required by Annex I Parties.

In the context of emissions trading all allocations should be released by a central authority and offered for sale by auction. The proceeds from the auctioning of the Assigned Amount Units could be used for strategically directed programmes for mitigation and adaptation.

In the context of the Clean Development Mechanism it is fundamentally important that the environmental integrity of the CDM is enhanced. The rules relating to the issuance of Certified Emission Reductions must be tightened to ensure that all projects are truly additional. Offering carbon offset rights to Annex I Parties for projects that are not additional undermines the environmental integrity of the CDM. Furthermore it limits the opportunities for developing countries to access new carbon finance for projects. A new standard needs to be set for the CDM to ensure the environmental integrity, additionality, and measurability of the CDM. Preference should be given to projects that facilitate the deployment of renewable energy and energy efficiency technologies. Projects that lock-in fossil fuel dependent industries (such as carbon capture and storage and super critical coal) should not be eligible for the CDM. Environmental integrity not only refers to climate change benefits, it also should be considered in the context of broader environmental concerns. Therefore, nuclear power should continue to be exempted from the CDM. Projects that adversely affect biological diversity should also be excluded.

The eligibility of unilateral CDM projects needs to be revisited. Unilateral projects undermine the concept of additionality and they are less likely to promote the transfer of technology from Annex I to Non Annex I countries.

The principle of complementarity in the use of the Kyoto mechanisms should be revisited. It is important that Annex I Parties focus their efforts on emissions reductions within their own countries. Limitations on the acquisition of credits generated by the Kyoto mechanisms should be considered. This is likely to accelerate the development of renewable energy and energy efficiency technologies.

The CDM should not be expanded to include sectoral programmes. As the CDM is a carbon offsetting mechanism, accounting for the environmental integrity of sector projects would be extremely difficult. Sectoral approaches in developing countries should be considered in the context of the Bali Action Plan. Financing for sectoral activities could come from new arrangements for funding (including the

auctioning of allowances). In this way new funding from the carbon market is found without the complications of offsetting.

Once sectoral arrangements are developed under the Bali Action Plan for the Major Economy Developing Countries, it may be possible to re-orient the CDM to make it more accessible to smaller economy countries, without interfering with the environmental integrity. Accessibility rules may need to be re-considered to allow small economy Developing Countries greater access to the CDM.

Further means to facilitate accelerated action by Annex I Parties to reduce their emissions may include arrangements to reduce subsidies to fossil fuel dependent technologies.

Apart from setting overall targets, it may also be appropriate for Annex I Parties to commit to targets for renewable energy and energy efficiency technologies.

Other measures that could be established among Annex I Parties could include energy efficiency standards for appliances, building codes, lighting, and fuel standards for private and public transport, including standards for low carbon fuels.

2. The rules to guide the treatment of land use, land-use change and forestry (LULUCF):

The current rules for accounting for human induced emissions from deforestation in Annex I Parties allows some areas of land to be excluded. This is due to the fact that the IPCC Good Practice Guidance defines land as either “managed” or “unmanaged” as a proxy for anthropogenic emissions. This approach omits emissions from lands subject to wildfire or pest disease outbreak even though these may have originated from human activities. These rules need to be changed so as to make all land subject to the accounting framework irrespective of whether it is managed or unmanaged.

The rules regarding the eligibility of land subject to afforestation and reforestation project activities under the CDM need to be reconsidered. The current approach taken by the CDM Executive Board allows land that has been reforested after 1990 to be cleared and replanted as an A & R activity without the emissions from the clearing being considered.

Due to the complexity of accounting for land use, land-use change and forestry activities under the CDM and the fact that the CDM is an offset mechanism, no further activities should be eligible under the CDM. Actions to reduce emissions from deforestation and forest degradation should be developed within the framework of the Bali Action Plan.

The limitations on the use of activities under Article 3.4 by Annex I Parties should remain.

In the context of accounting for harvest wood products (HWP) a simplified accounting approach should be undertaken. This would allow Annex I Parties to account for HWP within their own countries from forest products growth in their own countries. Once HWP are exported the carbon stocks should be calculated and accounted for as an emission. All imported HWP should not enter into the accounting framework. This approach has two main benefits:

1. Ease of Accounting: It means that exported HWP do not have to be accounted for, yet it does allow growing countries to account for an accumulation of carbon stocks grown in their own country.

2. Avoids Perverse Accounting: By not accounting for imports of HWP it prevents countries from including in their accounting system HWP that may have been derived from deforestation activities in developing countries. It also limits market pressures to reward deforestation or forest

degradation activities in Annex I Parties, hence contributing to principles of sustainable forest management.

Simplified arrangements for accounting for imported HWP used for fuel would need to be developed as part of this approach.

3. The greenhouse gases (GHGs):

In the Fourth Assessment Report, the IPCC identified a number additional greenhouse gases that are not included in the Kyoto Protocol. These should be added.

4. Sectors and source categories to be covered:

The Kyoto Protocol does not include emissions from international transport undertaken by Annex I Parties. This sector needs to be included. Some exemptions may need to be considered so as to not economically disadvantage some Non Annex I Parties who are highly dependent on this transport (e.g. tourist visitation to islands using international transport).

5. Possible approaches targeting sectoral emissions:

The EU Emission Trading Scheme gives some guidance on how to include international transport in an accounting framework for Annex I Parties. This accounting approach should be considered in the context of developing an accounting framework for international transport in the second commitment period.

6. Identification of ways to enhance the effectiveness of these means and their contribution to sustainable development:

Sustainable development principles need to be considered in the context of achieving real and measurable reductions in greenhouse gas emissions. One of the greatest threats to the sustainable development of all countries is climate change. For the countries most vulnerable to the impacts of climate change, accelerating the reduction in greenhouse gas emissions is paramount. In the context of the CDM, it must deliver real and measurable emissions reductions. Sustainable development must be considered in the context of the impacts of climate change and not simply whether or not a project activity under the CDM achieves some level of in situ sustainable development. The CDM Executive Board should be guided by this broader principle of climate change impacts and sustainable development.

Consideration of the relationship between the impacts of climate change and sustainable development should be given in setting the interval for the second commitment period. While there appears to be growing support for a commitment period which runs from 2013-2020, the long delay in ensuring that real emissions reductions are achieved may not be in the interests of vulnerable countries. Furthermore if commitments by Annex I Parties are not substantial enough to achieve significant emissions reductions in the second commitment period, a longer commitment period will only exacerbate the problem for vulnerable countries.

It is well recognised that the market may need greater certainty and a longer timeframe to allow it to commit to significant emissions reductions. Nevertheless as indicated above, the longer timeframe may lock in inaction or prevarication. Therefore Tuvalu believe that the second commitment period should be divided into two assessment phases - phase one 2013-2016 and phase two 2017-2020. Annex I Parties would be required to set two targets – one for each phase. Initial emissions reduction allowances would be allocated for phase one. At the end of phase one, Annex I Parties would be assessed on how they had achieved their phase-one target. If they had achieved this target they would be granted phase-two allocations. Reporting requirements would be similar to those required for the first commitment period.

7. Views on the topics to be covered and the experts/organizations to be invited to participate in the in-session thematic workshop

The themes of the in-session thematic workshop could include:

- a) Improving the environmental integrity of the CDM
- b) Reducing subsidies for fossil fuel intensive technologies and industries;
- c) Designing incentive measures to promote renewable energy and energy efficiency technologies
- d) Designing and administering efficiency standards to promote cleaner energy technologies

Possible institutions to invite to such a workshop include:

- a) The Renewable Energy and Energy Efficiency Partnership
- b) The Global Wind Energy Council
- c) The Potsdam Institute
- d) The International Centre for Trade and Sustainable Development
- e) The European Federation for Transport and Environment
