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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

**Ad Hoc Working Group on Long-term Cooperative Action  
under the Convention  
Fifteenth session, part two  
Doha, x November 2012—\***

Agenda item 3(b)(v)

**Various approaches, including opportunities for using markets, to enhance the cost-effectiveness of, and to promote, mitigation actions, bearing in mind different circumstances of developed and developing countries**

## **Views on a framework for various approaches**

### **Submissions from Parties**

#### **Addendum**

1. In addition to the 14 submissions contained in document FCCC/AWGLCA/2012/MISC.4 and Add.1 and 2, two further submissions have been received.
2. In accordance with the procedure for miscellaneous documents, these submissions are attached and reproduced\*\* in the language in which they were received and without formal editing.

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\* The second part of the session will be held in conjunction with the eighteenth session of the Conference of the Parties. The opening and closing dates of the fifteenth session, part two, of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention will be determined in due course.

\*\* These submissions have been electronically imported in order to make them available on electronic systems, including the World Wide Web. The secretariat has made every effort to ensure the correct reproduction of the texts as submitted.

**FCCC/AWGLCA/2012/MISC.4/Add.3**

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**Complementary submissions of the Gambia on behalf of the Least developed Countries (LDC) on general principles to guide both the proposed framework for various approaches and the new market based mechanisms.**

This submission is made to complement the views submitted in March 2012 on “various approaches” and “new market mechanism” (FCCC/AWGLCA/2012/MISC.4 and FCCC/AWGLCA/2012/MISC.6 respectively). The LDC group requests the secretariat **to take this submission into account while preparing its technical paper.**

The group would like to reiterate our position regarding general principles that could be taken into account in the discussion of both the new markets mechanism (NMM) and the current framework proposed for various approaches. Any market mechanisms to be established under the Convention should learn from the model of the Kyoto Protocol’s flexible mechanisms.

The LDC group would like to restate our key concerns in relation to: (1) the eligibility rules, (2) the risk of using units from Convention to meet the KP targets, (3) the risk of bilateral offset mechanisms, and (4) issues associated with environmental integrity should be addressed.

1. On the eligibility rules, there is a need to draw upon the lessons from the KP. Eligibility for using the Kyoto mechanisms is very clear. Annex I Parties using the mechanisms must: (a) be a Party to the Kyoto Protocol, (b) have an internationally-legally-binding, economy-wide emission reduction commitment under Annex B, (c) have calculated and recorded their Assigned Amount (emissions budget) for the commitment period, (d) have in place a national system for the estimation of anthropogenic emissions by sources and removals by sinks, (e) have in place a national registry, (f) submit annual GHG inventories for review (g) submit supplementary information to demonstrate progress toward achieving economy-wide emission reduction commitments, (h) submit information on annual holdings of Kyoto units, (i) be subject to their annual inventories to review. The LDC group believes that there is no rationale to undermine the rules that currently exist under the Kyoto Protocol. This architecture needs to be kept and enhanced and not diminished. Learning from this, it is important to define comparable eligibility rules for any proposed mechanism. **Therefore, for those countries wanting to participate in any NMM under the Convention – eligibility should remain: be a Party to the body under which the mechanism has been established (here the UNFCCC), the establishment of binding economy-wide emission reduction commitment, and the establishment of initial assigned amounts, together with other requirements.**

## 2. Risk of using units from Convention to meet the KP targets

The LDCs have previously stated their concerns regarding the fungibility of units between the Convention and meeting Kyoto commitments. We do not support countries continuing to use the existing Kyoto protocol flexible mechanisms and its associated architecture without taking commitments under the second commitment period of the Kyoto Protocol. The rules for the eligibility to the KP flexible mechanisms are clear – Parties must have a target in the Annex B of this Kyoto Protocol. If countries want to continue to use the Kyoto Protocol's flexible mechanisms, then we urge them to make a legal commitment to present a QELRO and ratify the second commitment period, as other Annex I countries are prepared to do. Furthermore, there is as yet no information on the likely supply of credits from a NMM and the impacts are as yet unquantified. **Thus, it is not acceptable to use credits generated under a future mechanism developed under the Convention to meet obligation under KP.**

## 3. Risk of bilateral offset mechanisms

The multilateral trading systems of the KP are the best approach to ensure a robust carbon market that could ensure real reduction. **Such multilateral system should thus be envisaged under the Convention. There is no rationale for LDCs to support market mechanisms developed outside the UNFCCC. This would simply be an approach for inaction and non-participation in the UNFCCC and will undermine a trading system, which needs robust units and rules with international oversight to ensure the integrity of the system.**

## 4. Issues associated with environmental integrity

The KP mechanisms and any other mechanisms to be established need to ensure environmental integrity of the whole regime. Here also, lessons can be learned from the KP. The LDCs believe that any NMM should only play a complementary role with developed countries reducing emissions mostly through domestic efforts; therefore a quantified requirement for complementarity should be established. Furthermore, double-counting of emission reductions as well as the financial commitments made by developed countries will need to be avoided. **For this purpose appropriate, relevant and coherent decisions should be taken in relation to restrictions to carryover, respect of commitment period reserves, the set of caps on credit use, issues related to supplementary and again eligibility requirements for mechanism to be established under the Convention.** This demonstrates the importance of clear international rules to allow for an effective robust mechanism.

Regarding the divergence of views in relation to these subjects, if the LCA is to close at the end of year in Doha, the LDCs would like to invite the COP to request the SBSTA to continue to support countries better deepen the understanding of both issues related the new market mechanisms and the framework of various approaches. These issues should thus be continued **under the SBSTA**, as they are not enough mature neither for decision regarded their implementation nor to be sent to the

SBI which is a body for implementation. In this respect, the LDCs believe that further work should consider the lessons learnt from past experiences with market-based mechanisms from all countries. This information will help improve the NMM to be designed under the Convention. The preparation of a technical paper, which addresses these issues, will be useful for further consideration by the Parties.

Finally the group would like to stress on two fundamental points that have been made in their previous submissions:

- The need for appropriate and necessary capacity building activities to be provided to countries including, inter alia, the LDCs, SIDS and vulnerable African countries to promote their access to new market-based mechanism, and to avoid the regional unbalance that plagued the CDM. Thus, the LDCs call for a provision under LCA that is comparable to the EU policy on CDM for LDCs, which allows for a portion of access to LDCs while seeking clarity from EU on the support available to help LDC effectively benefit from this modalities. Such provisions can include application of a share of “use restrictions” to encourage investment in projects in LDCs, associated to enabling activities to allow LDC to take effectively advantage of this provision.
- The design of the new mechanism needs to reflect experiences of the CDM in providing options that address the special situation of LDCs. This could for example include options to apply as a group of countries, in line with experiences on PoAs. A share of proceed above 2% of the certificates emitted after the deduction of net contribution, should be applied on all the new mechanisms and transferred to the adaptation fund.

Paper no. 2: Japan

Submission by Japan on  
various approaches, including opportunities for using markets,  
to enhance the cost-effectiveness of, and to promote, mitigation actions

1. Introduction

- (1) As Japan stated in its submission submitted in March, 2012 and in the workshop held in Bonn in May, 2012, it is crucial for the Parties to establish a wide variety of approaches which best reflect their circumstances while ensuring environmental integrity. Japan attaches importance to the role of the market mechanisms under the decentralized governance, and such mechanisms and the existing market mechanisms should complement each other, which will contribute to the achievement of ultimate objective of the UNFCCC; stabilization of greenhouse gas concentrations in the atmosphere.
- (2) This submission outlines the “framework” referred in decision 2/CP17, paragraph 80, which Japan considers appropriate, focusing on the role of the COP within the framework and standards which the market mechanisms under the decentralized governance need to meet. It also presents the possible ideas to be included in the standards of the market mechanisms under the decentralized governance.

2. A framework, the role of the COP and standards

- (1) In Japan’s view, the framework for various approaches means, under basic principles and a reporting system provided by the COP, both the market mechanisms under the centralized governance and those under the decentralized governance operate in a transparent manner while complementing each other (Figure 1).
- (2) The COP will establish basic principles to be applied to the both mechanisms. The basic principles could include the elements defined in decision 1/ CP16, paragraph 80 and in decision2/CP17, paragraph 79. The COP will provide a reporting system and reporting formats for ensuring transparency of the mechanisms and avoiding the double counting of emission reductions among mechanisms. The COP can also share lessons learned. It is desirable for the Parties to establish such a framework, if possible, at the COP18.
- (3) The implementing Parties of the mechanisms under the decentralized governance will develop the standards of each mechanism, reflecting national circumstances of both developing and developed countries, and those could include the following elements:
  - i) Overview of the mechanism (process flow, institutions involved and their roles, etc.);
  - ii) Eligibility criteria for the projects and the project selection process;

- iii) Underlying principles of methodologies and their approval process;
- iv) Roles of the third-party certification entities and their accreditation process;
- v) Approaches to managing projects and credits issued (including measures to avoid double counting).

(4) Implementing Parties will report to the COP about their standards and actual utilization of the mechanisms under the decentralized governance for ensuring transparency and environmental integrity. The reporting process could be incorporated in the process already established, or to be established, such as BR/BUR and IAR/ICA process.

(5) The amount of emission reductions under one project of one mechanism would be reported to the COP so that checking for double counting can be done for the amount not to be used for other international market mechanisms. Japan would like to contribute to further technical consideration on the issues such as tracking system for avoiding double counting.

### 3. Possible ideas to be included in the standards of the mechanisms under the decentralized governance

Followings are the elaboration of the elements mentioned at section 2 (3). Japan considers the following ideas will contribute to delivering real, permanent, additional and verified mitigation outcomes, and to achieving a net decrease and/or avoidance of GHG emissions. Therefore, these ideas, at least, should be included in the standards of the mechanisms under the decentralized governance.

#### (1) Eligibility criteria for the project

Eligibility of the project should be clearly defined in advance to give certainty to project participants and hence promote additional investments for emission reductions or removals. For example, the criteria could be set, among others, by using a positive list of technologies, products, systems, services, etc. or benchmarks, such as specific GHG emission intensity or the energy efficiency rate, identified based on the types of projects or activities.

#### (2) Reference emissions

Emission reductions or removals achieved by a project under the mechanisms should be quantified as the difference between the reference emissions and the actual emissions after the implementation of the projects under the mechanisms. The reference emissions should not be calculated based on a business as usual scenario but in a simple and conservative manner so that they could ensure environmental integrity.

(3) Monitoring methodologies

Monitoring methodologies would be designed in such a way that they are feasible and do not impose excessive burdens on project participants, taking into account the national circumstances in host countries. Using default values, such as the parameters extracted from manufacturers' specifications or statistics, in a conservative manner, could be possible.

(4) Third-party certification entities

Independent qualified third-party entities would be accredited by participating countries of the mechanisms. They would validate whether a proposed project meets eligibility criteria and verify calculated emission reductions or removals achieved by that project in order to secure environmental integrity.

(5) Treatments of certified emissions reductions

The mechanisms may take approaches to directly offset a Party's GHG emissions with the emission reductions achieved in other countries by its contribution, allowing the swift introduction of the approach and implementation at low transaction costs. This approach could supplement those where tradable emission reduction credits are issued and retired.



Figure1

## Framework for Various Approaches

