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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

**Subsidiary Body for Scientific and Technological Advice**

**Thirty-eighth session**

**Bonn, 3–14 June 2013**

Item 12(c) of the provisional agenda

**Market and non-market mechanisms under the Convention**

**New market-based mechanism**

**Views on modalities and procedures for the new  
market-based mechanism**

**Submissions from Parties**

1. The Conference of the Parties, at its eighteenth session, invited Parties to submit to the secretariat, by 25 March 2013, their views on the matters referred to in paragraphs 50–51 of decision 1/CP.18, including information, experience and good practice relevant to the design and operation of the mechanism referred to in decision 2/CP.17, paragraph 83.<sup>1</sup>
2. The secretariat has received 10 such submissions from Parties. In accordance with the procedure for miscellaneous documents, these submissions are attached and reproduced\* in the languages in which they were received and without formal editing.<sup>2</sup>

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<sup>1</sup> Decision 1/CP.18, paragraph 52.

\* 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.

<sup>2</sup> Also available at <<http://unfccc.int/5901.php>>.

**FCCC/SBSTA/2013/MISC.9**

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\* This submission is supported by Albania, Bosnia and Herzegovina, Croatia, Iceland, Serbia and the former Yugoslav Republic of Macedonia.

Paper no. 1: Bangladesh, Congo, Costa Rica, Côte d'Ivoire, Democratic Republic of the Congo, Dominica, Dominican Republic, Fiji, Gabon, Guyana, Honduras, Kenya, Liberia, Nigeria, Panama and Papua New Guinea

**Submission of Views**

by

**Bangladesh, Costa Rica, Cote d'Ivoire, Democratic Republic of Congo, Dominica, Dominican Republic, Fiji, Gabon, Guyana, Honduras, Kenya, Liberia, Nigeria, Panama, Papua New Guinea, and Republic of Congo**

on

**The Framework for Various Approaches and the New Market Based Mechanism**

**25 March 2013**

1. Following the closure of the Ad hoc Working Group on Long Term Cooperative Action (AWG-LCA) in Doha at the eighteenth Conference of the Parties (COP 18) to the UNFCCC a number of items were referred for further work to the various subsidiary bodies (SBs). In anticipation, the AWG-LCA at its fifteenth session invited Parties to submit, by 25 March 2013, their views on the following three work programmes that emerged from element 1bV of the Bali Action Plan:
  - a framework for various approaches, including opportunities for using markets (FVA)<sup>1</sup>;
  - new market based mechanism (NMM)<sup>2</sup>;
  - non-market based approaches<sup>3</sup>.
2. For this purpose the Coalition for Rainforest Nations considered issues related to the FVA and the NMM and prepared this submission of views.
3. While COP 18 requested the SBSTA to conduct three separate work programmes, each with its own incipient Terms of Reference, the three work programmes are closely interrelated. This relationship emerges clearly from the debates that took part during the several negotiating sessions in 2012, including during the workshops held respectively in May 2012 in Bonn and in August 2012 in Bangkok. Furthermore, several elements of the three items mentioned above still need to be clarified. This submission has been prepared with the view to reflect those discussions and advance the position of many developing country Parties on such fundamental issues.
4. The result of the work of the Ad hoc Working Group on the Durban Platform for Enhanced Action (ADP) should cover all various approaches and take into account their contribution to meeting any resulting obligation, in a coherent way.

**Framework for Various Approaches**

5. The FVA is a set of components and rules designed to integrate the various approaches (VA) developed and implemented by the Parties to promote mitigation actions and environmental integrity, bearing in mind different capacities and capabilities of developed and developing countries.

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<sup>1</sup> FCCC/CP/2012/L.14/Rev.1, paragraph 48.

<sup>2</sup> FCCC/CP/2012/L.14/Rev.1, paragraph 52.

<sup>3</sup> FCCC/CP/2012/L.14/Rev.1, paragraph 48.

6. The FVA should cover various approaches, domestic and/or international, including sectoral mechanisms, seeking international recognition, that result in net reductions of greenhouse gas emissions by sources and removals by sinks.
7. Subject to certain conditions, units associated with these approaches can be transferred internationally, with the view to assist Parties to achieve compliance with UNFCCC obligations.
8. The FVA should cover various approaches taking into account national circumstances and different capacities and capabilities of developed and developing countries.
9. Adequate and predictable financial resources for the implementation of the FVA in developing country Parties should be provided by developed country Parties.

### Objectives

10. The FVA should ensure that:
  - Net reductions of greenhouse gas emissions by sources and removals by sinks resulting from various approaches, including market and non-markets, should be recognized and integrated in the UNFCCC.
  - Subject to national measuring, reporting and verification (MRV) and monitoring systems, units created through national mitigation initiatives can be transferred and used for UNFCCC compliance.
  - Various approaches must comply with common standards that ensure environmental integrity, promote sustainable development, and deliver real, permanent, additional and verified mitigation outcomes;
  - Double counting of any type shall be avoided.

### Scope

11. The FVA will:
  - function under the authority of the COP;
  - include units produced by developed and developing country Parties;
  - include crediting, trading or a mechanism of a mixture thereof;
  - cover only approaches producing units; seeking international transfer and ensuring environmental integrity;
  - take into account national circumstances and different capacities and capabilities of developed and developing countries.

### Institutional arrangements

12. The FVA will include, amongst others:
  - a) International Reduction Units (IRUs) to be transferred internationally, recognised and accepted for compliance with UNFCCC obligations. IRUs meeting the common standards below can be generated by any various approach promoting mitigation actions and can be used for compliance with UNFCCC obligations.
  - b) A Regulatory Body (RB) operating under the authority of the COP and overseeing all various approaches, including the NMM and the existing Kyoto Protocol flexible mechanisms. The RB should, amongst others:
    - regulate the international transfer of IRUs;

- develop, administer and ensure that common standards are applied by the Parties with the view to ensure environmental integrity as specified below.
- c) National Registries (NRs) established at the national level and subject to national monitoring, measurement, reporting, verification and accounting systems. The NRs should be linked to the international transaction log (ITL) and should ensure the accurate accounting of the issuance, holding, transfer and acquisition of IRUs.
  - d) Common standards (CSs) will be identified by the MRB, and approved by the COP. CSs should be applied to all various approaches and should ensure environmental integrity and full fungibility of IRUs ('a ton is a ton'). While implementation, monitoring, measurement, reporting, verification and accounting and review (e.g. reference levels ) of various approaches will be at the national level, CSs will be used in 'evaluating' a mitigation action and should address issues such as additionality, full national accounting and monitoring systems, double counting, independent verification, leakage, reference levels and equivalent factors.
  - e) An International Transaction Log (ITL) operating under the UNFCCC and transferring, upon verification, IRUs between National Registries.

#### Functions of the FVA

13. The FVA will have the following functions:

- a. Review various approaches promoting mitigation actions and implement Common Standards.
- b. Issue, transfer and tracking of IRUs internationally will be upon demand, review and subject to the approval process.
- c. Avoid double-counting.
- d. Promote cost-efficient mitigation actions.
- e. Support developing country Parties in the implementation of mitigation actions.

#### Net avoidance of emissions

14. The Durban outcome, and all subsequent discussions among Parties, shows that an offsetting approach is not one that should be contemplated. What is needed under the new climate change regime are net reductions of greenhouse gas emissions by all sources and all removals by sinks.

Net emissions reduction can be achieved in a variety of ways but ensuring consistency at the source of production of these reductions may require a great deal of effort and coordination – such as ensuring that the same definition of conservatism is applied in very different circumstances and jurisdictions.

A different approach may be one where a discount factor is applied consistently at the point of use, which will have the effect of keeping clear measurement to 'a ton is a ton', and not making arbitrary and differing conservative assumptions.

At the same time, applying a discount factor at the point of use ensures a simple and clear net reduction.

## Financing of the FVA

Adequate and predictable financial resources for the implementation of the FVA in developing country Parties should be provided by developed country Parties. For the FVA a levy on any issued IRUs could be introduced. This will capture any units that are issued domestically, but then use the FVA for international transfer and compliance purposes.

## New Market Based Mechanism

15. The submission of views to the Ad Hoc Working Group on Long term Cooperative Action at its fourth session made on 30 March 2009 by Belize, Central African Republic, Costa Rica, Democratic Republic of Congo, Dominican Republic, Ecuador, Equatorial Guinea, Ghana, Guyana, Honduras, Kenya, Madagascar, Nepal, Nicaragua, Panama, Papua New Guinea, Singapore, Solomon Islands, Thailand, Uganda, United Republic of Tanzania, Vanuatu and Viet Nam on Reducing Emissions from Deforestation and Forest Degradation and the role of Conservation, Sustainable Management of Forests, and the Enhancement of Forest Carbon Stocks should be recalled.
16. The submission of views to the Ad Hoc Working Group on Long term Cooperative Action at its fifteenth session made on 29 February 2012 by Bangladesh, Cameroon, Central African Republic, Congo (Republic), Costa Rica, Cote d'Ivoire, Democratic Republic of Congo, Dominica, Dominican Republic, Fiji, Gabon, Ghana, Guyana, Honduras, Kenya, Pakistan, Panama, Papua New Guinea, Sierra Leone, Solomon Islands, Suriname and Uganda on various approaches, including opportunities for using markets, to enhance the cost effectiveness of, and to promote, mitigation actions should be recalled.
17. The new market based mechanism (NMM) should be based, amongst others, on the elements referred to in paragraph 51 of decision 1/CP.18 'Agreed outcome pursuant to the Bali Action Plan'<sup>4</sup>.
18. The new market based mechanism should cover reduction of greenhouse gas emissions by sources and removals by sinks in broad sectors of the economy, including REDD+, that could be of a crediting, trading, or a mix thereof, in nature, and applicable to develop and developing countries.

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<sup>4</sup> Elements of the work programme referred to in paragraph 50 of decision 1/CP.18 Agreed outcome pursuant to the Bali Action Plan:

- (a) Its operation under the guidance and authority of the Conference of the Parties;
- (b) The voluntary participation of Parties in the mechanism;
- (c) Standards that deliver real, permanent, additional, and verified mitigation outcomes, avoid double counting of effort and achieve a net decrease and/or avoidance of greenhouse gas emissions;
- (d) Requirements for the accurate measurement, reporting and verification of emission reductions, emission removals and/or avoided emissions;
- (e) Means to stimulate mitigation across broad segments of the economy, which are defined by the participating Parties and may be on a sectoral and/or project-specific basis;
- (f) Criteria, including the application of conservative methods, for the establishment, approval and periodic adjustment of ambitious reference levels (crediting thresholds and/or trading caps) and for the periodic issuance of units based on mitigation below a crediting threshold or based on a trading cap;
- (g) Criteria for the accurate and consistent recording and tracking of units;
- (h) Supplementarity;
- (i) A share of proceeds to cover administrative expenses and assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation;
- (j) The promotion of sustainable development;
- (k) The facilitation of the effective participation of private and public entities;
- (l) The facilitation of the prompt start of the mechanism.

19. The new market based mechanism, taking into account national circumstances and different capacity and capabilities, shall enhance cost- effectiveness and promote mitigation actions, in particular mitigation actions that support sustainable development in developing countries.
20. Parties with commitments under the Convention may use emission reduction units accruing from REDD+ results based actions that are measured, reported and verified at the national level to contribute to compliance with their additional emissions reduction commitments.
21. The acquisition of emission reduction units by Parties referred to in paragraph 22 above shall be supplemental, significant and additional to their reduction commitments as determined by the Conference of the Parties at its eighteenth session in order to guarantee environmental integrity.
22. The new market based mechanism will be sectoral in nature and under the authority of the COP. It shall be used by Parties on a voluntary basis and taking into account national circumstances.
23. The NMM should contribute to raise the level of ambition by developed country Parties in their mitigation commitments under the Convention.
24. Units issued from a NMM will be transformed, upon request, into an IRU, and be used in any jurisdiction for compliance with UNFCCC commitments.
25. To be eligible as in IRU, units from a NMM will be issued at the national level and subject to national accounting and MRV, consistent with the approach taken in FVA. National authorities will ensure that no double counting takes place.
26. NMM governance and institutional approach should ensure that there is consistency and coherence with the other elements in the FVA. As such, existing infrastructure should be used as much as possible, including regulatory bodies, adapted to the needs of the NMM, and based on lessons learned from the flexible mechanisms under the Kyoto Protocol.
27. A pilot phase for NMM should be launched by COP19.
28. As part of the NMM, a REDD+ mechanism should be defined by COP19. The REDD+ mechanism should include results-based actions as referred to in paragraph 73 of decision 1/CP.16.
29. The REDD+ mechanism should:
  - Be voluntary;
  - Assist Parties' compliance with their mitigation commitments under the Convention;
  - Include net reduction of greenhouse gas emissions that are fully measured, reported and verified at the national level consistent with decision 1/CP.16;
30. In accordance with Article 3, paragraph 12 bis and ter of the Kyoto Protocol units generated from the REDD+ mechanism may be used may be used by Parties included in Annex I to assist them in achieving compliance with their quantified emission limitation and reduction commitments under Article 3 during the second commitment period (SCP). In the SCP, developed country Parties will be able to set aside an amount of AAUs or IRUs, commensurate with the implementation outcome of the REDD+ mechanism. Such units will be transferred to developing country Parties implementing the REDD+ mechanism. If the reductions are not achieved, the units set aside will be returned.
31. Adequate technical and financial support should be provided by developed country Parties to developing country Parties for the implementation of the activities referred to in paragraph 22 above.

**Submission by the  
Plurinational State of Bolivia**

**Views from Parties and admitted observer organizations on the matters referred to in paragraphs 50–51 of document FCCC/CP/2012/L.14/Rev.1, including information, experience and good practice relevant to the design and operation of the mechanism referred to in paragraph 50.**

The Plurinational State of Bolivia is pleased to submit its national position on paragraphs 50-51 of document FCCC/CP/2012/L.14/Rev.1, in order to the notification by the Secretariat of the Convention to support SBSTA work.

**Background**

The opportunity to stabilize our climate system is increasingly less possible. Several studies show that current pledges of developed countries to reduce greenhouse gas emissions are inadequate to keep warming below 1° or 1.5° C, and are currently on an emissions trajectory that could lead to a global warming of more than 4° C.

In this sense, the Plurinational State of Bolivia is opposed to any kind of market mechanism oriented to privatize and commodify the atmosphere. The logic of establishing a new carbon market is supported by the constitution of a new global right which is the right to pollute. Also, in the sake of economic rationality developed countries are trying to transfer their obligations towards developing countries through the creation of new carbon market mechanisms, legitimizing actions that are not effective with respect to climate change mitigation.

The Plurinational State of Bolivia, based on the systematization of publications and reports of the United Nations Convention on Climate Change (UNFCCC), the Executive Committee of the Clean Development Mechanism (CDM-UNFCCC) as well as publications of United Nations Agencies and academic literature, considers that there are important problems attached to the design and implementation of a new market mechanism. The main problems of a carbon markets are highlighted below.

**a) Scientific and conceptual incongruity of emissions markets with the basic science of climate change, since markets of carbon emissions are incoherent and contradictory with the basic science of climate change management and environmental integrity.**

This is because of the following issues.

- A simplified approach with erroneous conclusions of the complex and holistic climate system avoiding the basic reality that the different greenhouse gases have different global warming potentials, with different times of permanence and non comparable impacts on the ecosystem functions of nature and its ability for sustaining and self-restoring.
- Programs, projects and activities regarding carbon market as a whole are triggering environmental problems: Several of the carbon market projects cause other environmental problems and negative climate feedbacks (for example: hydroelectric projects, that



generates production of more greenhouse gases in the vast areas flooded as well as in the industrial parks that they enable, among others).

- Carbon markets imply trading of pollution: They give polluting entities formal and contractual rights to continue or even increase both greenhouse gases emissions and their levels of environmental pollution.
- Carbon markets commodify and fragment the ecosystem functions of nature. For example, the reductionist approach of REDD+ is questionable, because forests are seen exclusively as carbon storages.
- Issues on the quality control of base lines. The CDM project implementation sets project baselines under high assumptions and even exaggerated dependence on fossil fuels or obsolete technologies. Also, calculations of various projects include speculation, assumptions and safeguards that distort reality. Calculations in most project designs are based on default emission factors which have a range of uncertainty and do not respond to local conditions.
- Double counting of emission reduction because of carbon markets has repercussions leading to an increase of more than 2°C. According to the UNEP-2010 report the emission reduction pledges by developed countries include offsets in the emissions markets, and in parallel developing countries also account these offsets to achieve their goals. This double counting that result of the use of carbon markets would increase the emissions gap with more than of 1.3 Gt of carbon.

b) **Inconsistency of carbon markets with the effective reduction of greenhouse gases and carbon markets and with the domestic efforts of climate change mitigation**, due to the following issues:

- Carbon markets are ineffective and undermine the domestic efforts of climate change mitigation. Developed countries have a responsibility to reduce their greenhouse gases emissions domestically, changing their unsustainable production and consumption patterns. Carbon markets are actually postponing these structural changes rather than solving them. Flexibility mechanisms do not establish social, political and technological aspects with respect to when and how to reduce greenhouse gases emissions.
- Carbon markets are ineffective and distort the implementation of commitments by developed countries under the UNFCCC for developing countries. Carbon markets have a counterproductive effect and undermine the fulfillment of commitment by Annex 1 countries. For instance, developed countries affirm erroneously that financial flows from carbon markets would be their contribution to the Green Climate Fund. While in reality, carbon markets are a cheaper way, but unfair, to supposedly "comply" with their domestic obligations for mitigation.
- In the portfolio of the carbon market some activities are inefficient and inconsistent with environmental integrity and food security. The UNEP report states that many models in order to achieve negative emissions are assuming the development of emission reductions in a large scale of bioenergy projects in combination with carbon capture and storage technologies. However, the UNEP report also indicates that the feasibility of these projects

is dependent on the availability of sufficient areas of land, water resources, and biomass productivity.

- Market mechanisms have created an unpredictable and unstable speculative business. The economic crisis has also affected the price of carbon, which in less than a year fell down from 30 to 8 Euros in the European market (World Bank 2010). In addition, due to lack of clear regulations in the post-Kyoto regime after 2012, some of the mechanisms implemented are having a significant loss of value. When carbon prices are very low the implication is that only cheaper mitigation options will be undertaken.

c) **Incongruence between carbon markets and their contribution to sustainable development**, because of the following aspects:

- Inequality of opportunities in the implementation of mitigation projects among developing countries. In the last Annual Report of the Executive Board of Clean Development Mechanism for Management 2010, it is evident that the majority of registered projects (nearly 77 % of a total of 2.453) and their respective Certified Emission Reductions issued (nearly 93%) are located in only five host countries.
- There is a large gap between yields and cost-effectiveness of carbon markets in order to reduce GHG emissions. If the whole money invested in carbon markets would flow directly to the countries, it would have been possible to develop 5 to 6 times more mitigation projects in developing countries. This leads to the conclusion that carbon markets move large amounts of money which do not effectively reach mitigation projects. Therefore carbon markets can be considered as a measure which is not cost-effective for mitigation.
- Low hanging fruits. CDM projects attend mitigation options that are easier and cheaper in their implementation, mostly for the benefit of buyers in developed countries. It is expected that in the framework of the Durban platform also developing countries will make commitments for emissions reductions, but in this case, the mitigation options that will still be available will be the more expensive and difficult to implement.

As a consequence of the previous analysis there is no doubt that the schemes and market approaches for climate Change (current and projected) are economically, environmentally and socially inefficient; and therefore, the development of approaches for implementing a new carbon market mechanism under the Convention is not appropriate.

**Proposal for the development of a work programme to elaborate modalities and procedures for the mechanism defined in decision 2/CP.17, paragraph 83**

With respect to paragraph 50 that requests the Subsidiary Body for Scientific and Technological Advice to conduct a work programme to elaborate modalities and procedures for the mechanism defined in decision 2/CP.17, paragraph 83, the proposal of the Plurinational State of Bolivia with a view to recommending a draft decision to the Conference of the Parties for adoption at its nineteenth session is the following:

1. *Decides* to establish a clause with a moratorium on the establishment of a new market-based mechanism for climate change under the precautionary principle, due to the scientific and conceptual incongruity of emissions markets with the basic science of climate change, inconsistency of carbon markets with the effective reduction of greenhouse gases, and the incongruence between carbon markets and their contribution to sustainable development<sup>1</sup>,
2. *Also decides* that in order to analyze the suspension of the moratorium, an official report must be formulated every two years by the IPCC to be submitted to the Parties in order to evidence the carbon market contribution to the stabilization of the climate system.
3. *Establishes* that the official report formulated by the IPCC must contain referentially criteria for overcoming the drawbacks and risks of the establishment of a new market-based mechanism as depicted on paragraph 1, including also:
  - a) The fulfillment of the ultimate objective, principles and provisions of the Convention.
  - b) The implication of the market mechanism on human rights and indigenous people rights.
  - c) The protection to the sovereignty of States over their natural resources.
  - d) The feasibility for establishing a system of rigorous accounting of report and monitoring of emission reductions.
  - e) Actions to detain the transference of obligations of developed countries to developing country Parties.

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<sup>1</sup> The moratorium proposal finds support under the framework of article 3 paragraph 3 of the principles of the Convention, regarding to the Parties should take precautionary measures to anticipate, prevent or minimize the causes of climate change and mitigate its adverse effects. Where there are threats of serious or irreversible damage, lack of full scientific certainty should not be used as a reason for postponing such measures, taking into account that policies and measures to deal with climate change should be cost-effective so as to ensure global benefits at the lowest possible cost. To achieve this, such policies and measures should take into account different socio-economic contexts, be comprehensive, cover all relevant sources, sinks and reservoirs of greenhouse gases and adaptation, and comprise all economic sectors. Efforts to address climate change may be carried out cooperatively by interested Parties.

**Soumission des vues des pays du Bassin du Congo (Burundi, Cameroun, Congo, Gabon, Guinée Equatoriale, République Centrafricaine, République Démocratique du Congo, Rwanda, Sao Tomé et Principe et Tchad)**

**PREAMBULE**

Cette soumission est présentée par les pays du Bassin du Congo réunis au sein de la Commission des Forêts d'Afrique Central (COMIFAC), conformément à la déclaration des Chefs d'Etat de 1999, dite « Déclaration de Yaoundé », relative à la conservation et à la gestion durable des écosystèmes forestiers d'Afrique Centrale, soutenue par la signature et la ratification du traité de la COMIFAC.

La COMIFAC regroupe 10 pays : Burundi, Cameroun, Congo, Gabon, Guinée Equatoriale, République Centrafricaine, République Démocratique du Congo, Rwanda, Sao Tomé et Principe et Tchad.

La COMIFAC est un organe crée par les Chefs d'Etat en vue de gérer de manière concertée les forêts du Bassin du Congo à travers une plate forme commune dénommée « Plan de Convergence », qui comprend dix axes stratégiques. Le premier axe met un accent tout particulier sur les Conventions de Rio de Janeiro de 1992 dont la Convention Cadre des Nations Unies sur les Changements Climatiques (CCNUCC).

Le Partenariat pour les Forêts du Bassin du Congo (PFBC), lancé en 2002 lors du Sommet Mondial sur le Développement Durable de Johannesburg, regroupe 34 membres composés des pays du Bassin du Congo, des ONG internationales et des partenaires au développement (bilatéraux et multilatéraux). Et pour appuyer les pays de la COMIFAC, plusieurs membres du PFBC contribuent à la mise en œuvre du Plan de Convergence.

Dans le contexte des pays du Bassin du Congo, la déforestation et la dégradation restent modestes comparée à d'autres régions du monde.

Les pays de la COMIFAC considèrent que les efforts entrepris jusqu'à présent dans les domaines de la Gestion durable des forêts, la Conservation et de la préservation des écosystèmes forestiers sont bénéfiques pour le climat global et revendiquent leur prise en compte dans le futur régime climatique.

Les pays de la COMIFAC souhaitent également faire référence aux principes-clés énoncés dans leurs soumissions précédentes, à savoir :

- Bénéfices réels pour le climat,
- Responsabilité commune mais différenciée,
- Souveraineté des Etats et Développement Durable,
- Equité,
- Rapport coût efficacité,
- Ressources additionnelles,
- Actions rapides préservant l'intégrité des mécanismes existants.

### **MANDAT**

La Conférence des Parties (COP- 18) de la Convention Cadre des Nations Unies sur les Changements Climatiques (CCNUCC), a invité les Parties à soumettre au Secrétariat d'ici le 25 mars 2013, leurs avis portant sur certains points à débattre lors des 38<sup>ème</sup> Sessions des organes subsidiaires de ladite Convention.

Les points ci – dessous ont été retenus par les Pays membres de la COMIFAC et font l'objet de ces soumissions conformément à la demande du Secrétariat :

- **Concernant le processus de coordination de l'appui, y compris les incitations positives et questions de gouvernance, y compris les fonctions potentielles, les modalités et les procédures (FCCC/CP/2012/L14/Rev.1 paragraphes 34,35 et 36).**

Les pays de la COMIFAC réaffirment qu'il est essentiel qu'un financement accru, additionnel, prédictible et adéquat, provenant de sources publiques et privées, soit mis à la disposition des pays en développement ;

Ils rappellent que les engagements financiers des pays développés doivent provenir principalement de sources publiques, et que le financement par le biais de sources privées doit compléter ce financement, et s'y substituer.

Ce financement privé ne doit, par ailleurs pas être une façon détournée de subventionner le transfert technologique d'entreprises basées dans les pays développés, mais plutôt engendrer des bénéfices concrets dans le pays hôte afin de répondre aux besoins urgents en matière d'adaptation et d'atténuation, qui s'intègrent obligatoirement dans leurs programmes nationaux de développement économique et social;

S'agissant du paragraphe 35, les pays membres de la COMIFAC optent pour la mise en place d'un Conseil pour le mécanisme de la REDD+.

- **Concernant les questions relatives à l'UTCATF (FCCC/SBSTA/2012/2 paragraphe 116 à 118 ; FCCC/SBSTA/2012/L30, paragraphe 5).**

Pour le point relatif aux risques de la non-permanence des certificats des réductions des émissions, les pays de la COMIFAC souhaitent la création des crédits permanents avec une flexibilité accordées aux parties.

S'agissant des activités additionnelles ou supplémentaires, les pays de la COMIFAC restent ouverts à toutes inclusions d'activités. Il s'agit entre autres de la gestion durable des forêts et de l'agroforesterie.

S'agissant de la comptabilité exhaustive, les pays de l'espace COMIFAC souhaitent des règles de comptabilisation qui soient applicables à tous, et celles-ci devraient tenir compte des circonstances nationales.

En outre, les pays de l'espace COMIFAC souhaitent l'organisation des ateliers sur le renforcement des capacités relatif aux règles de comptabilisation.

- **Concernant les MRV nationales des NAMA (FCCC/SBSTA/2012/L.24, paragraphe 30).**

Etant donné que les réflexions autour des questions sur les NAMA soient en cours, les pays membres de la COMIFAC sont favorables pour garantir la gouvernance du processus NAMA. Toutefois, ils souhaitent que des approches méthodologiques soient définies séparément de celles de la REDD+.

- **Concernant les questions sur les Approches non fondées sur le marché (FCCC/CP/2012/L.14/Rev.1 point 48)**

Sur la question des directives méthodologiques pour les approches non fondées sur le marché, les pays de la COMIFAC s'engagent à travailler de façon constructive pour résoudre les questions méthodologiques en suspens qui seront abordées lors de la 38<sup>ème</sup> SBSTA.

Selon le 4<sup>ème</sup> rapport du GIEC, la réduction des émissions résultant de la déforestation présente un potentiel de réduction de l'ordre de 15 à 30 % des émissions de GES.

La réduction des émissions résultant de la déforestation nécessite des investissements supplémentaires en termes de gestion durable des forêts et autres. A titre indicatif, le coût d'opportunité de la protection des forêts dans 8 pays responsables pour 70 % des émissions résultant des activités de changement d'usage du sol, est estimé entre 5 et 11 milliards de dollars par an selon le rapport Stern.

Le mécanisme financier à mettre en place doit permettre de générer des ressources prévisibles, stables et suffisantes.

- **Concernant le Nouveau mécanisme de marché (FCCC/CP/2012/L.14/Rev.1. point 52)**

Tenant compte des nombreux co-bénéfices socio-économiques et écosystémiques qu'engendrent les activités REDD, les pays membres de la COMIFAC demandent que le Comité Permanent sur la Finance adopte rapidement son plan de travail, de façon à instaurer dans les plus brefs délais un mécanisme de gouvernance du financement climat robuste et

transparent, et qui aura suffisamment d'autorité pour garantir une fois pour toute l'additionnalité des fonds mis à contribution par les pays développés.

Ils réaffirment que, lors de la mise en œuvre de plein déploiement de la REDD+ (phase 3), l'atteinte de résultats ne peut se limiter à la simple réduction d'émissions liées aux forêts, mais doit également tenir compte des multiples bénéfices socio-économiques et écosystémiques engendrés par les activités REDD+, favoriser la conservation des forêts sur pied et la promotion de la gestion durable des forêts.

- **Concernant les orientations relatives au mécanisme de développement propre (FCCC/KP/CMP/2012/L.10, point 12).**

Les pays membres de la COMIFAC souhaitent que les procédures des MDP soient plus flexibles, et que la répartition géographique des projets soit équitable.

- **Concernant les dispositions pour rendre le Centre et réseau des technologies climatiques (CRTC) (FCCC/CP/2012/L.10, point 12)**

Les pays membres de la COMIFAC choisissent la COMIFAC comme hôte du Centre et du Réseau des Technologies Climatiques (CRTC) de la sous-région.

Les pays membres de la COMIFAC encouragent le Secrétariat Exécutif de la COMIFAC à prendre des dispositions nécessaires pour lancer rapidement l'opérationnalisation du CRTC.



## **SUBMISSION BY INDONESIA**

### **Framework for Various Approaches (FVA) and New Market Mechanism (NMM)**

The Government of the Republic of Indonesia welcomes the opportunity to provide its views on Framework on Various Approaches (FVA) and New Market Mechanism (NMM) for post-Doha processes under the UNFCCC. It is our hope that Parties will come to an agreement as to the implementation of both concepts for climate change mitigation purposes.

Indonesia would like to underline the value of clear definition as well as objectives and basic understandings pertaining to the operationalization of FVA and NMM concepts.

#### **Views of Indonesia**

##### **I. Framework on Various Approaches (FVA)**

In regards to the Framework on Various Approaches (FVA), Indonesia underlines the importance of the following elements:

##### **A. Definition and Purpose**

Agreement on FVA definition is of utmost important and urgency. Indonesia views FVA as a framework which is operated on market and/or non-market approach that produces verified emissions reduction based on acceptable standard (e.g. ISO 14064 or similar) that may be used for international offsetting purposes. As FVA's purpose is to promote permanence and reliable mitigation actions that has a clear co-benefit for the host countries, it may cover market and non-market activities such as renewable energy development, energy efficiencies, REDD+, and any other nationally-appropriate emission reduction programs that produces verified emissions reduction.

##### **B. Baseline Setting and Emissions Reduction Usage**

Every FVA program or project must have a clear baseline. The baseline must be developed in scientifically acceptable way and respects different circumstances and domestic conditions of participating country(ies). Emissions reduction which are produced under FVA should be internationally transferable and usable for domestic offsetting purposes as a part of efforts to fulfil the international emissions reduction commitment. The transferred and used/retired emissions reduction should be recorded in participating country(ies) registry to avoid double counting. In case of international transfer, it should be recorded in the International Transaction Log under UNFCCC.

## **II. New Market Mechanism (NMM)**

In regards to the New Market Mechanism (NMM), Indonesia believes that the technical elements applicable to FVA may also applicable to NMM. The spirit that should be reflected in the forthcoming UNFCCC decisions in NMM is development of a robust mechanism yet allows broad participation of the Parties. Linking of mechanisms could be considered as one of the potential means.

**SUBMISSION BY IRELAND AND THE EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION AND ITS MEMBER STATES**

**This submission is supported by Albania, Croatia, Bosnia and Herzegovina, Iceland, the Former Yugoslav Republic of Macedonia and Serbia.**

**Dublin, 19 March 2013**

**Subject: New market-based mechanism**

**Introduction**

1. The decision taken at COP 18 in Doha gives SBSTA the mandate to elaborate the modalities and procedures (M&P) for the new market-based mechanism (NMM) defined in Durban<sup>1</sup>, with a view of adopting the M&P at COP 19 in Warsaw.
2. The EU regrets that the Durban mandate on the M&P for the NMM in Doha remained unfulfilled. The EU is of the view that in order to facilitate cost-effective mitigation and scale up global mitigation efforts to be in line with the 2°C objective, Parties need to shift to a more strategic approach that facilitates low-carbon policy designs for broad segments of the economy and fosters own contribution. The transition from pure offsetting to the generation of net mitigation benefits is central to both the delivery of future agreed mitigation objectives and efforts to help address the supply side imbalances that are currently being experienced in the international carbon market.
3. The work programme for the elaboration of the M&P for the NMM shall consider the elements listed in paragraph 51 of the decision 1/CP.18<sup>2</sup> taken in Doha.
4. As the EU has already expressed its views in relation to many of these elements, this submission should be read in conjunction with our previous submissions, most recently that of November 2012<sup>3</sup>, which contains the EU's envisaged set of M&P for the NMM.

**General views**

5. The EU strongly considers that market-based mechanisms, such as the NMM, have the ability to enhance the cost-effectiveness of, and to promote, mitigation actions. They also complement other means of support for nationally appropriate mitigation actions. The EU is of the view that enhancing the cost-effectiveness of mitigation actions can enable an increase in the overall level of ambition.
6. The EU supports a more active role for the Implementing Party and more flexibility in the choice of the way reductions are achieved, from regulatory measures via carbon taxes to domestic emission trading systems. The NMM would assist countries to implement their NAMAs by providing incentives to achieve emission reductions below the level of unilateral and supported NAMAs (as own contribution by the country) by generating units for these "credited NAMAs".
7. The NMM would promote "own contribution" by Parties ensuring a net decrease and/or avoidance of global greenhouse gas emissions. This would promote lower cost mitigation measures, i.e., in relation to the "low

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<sup>1</sup> Paragraph 83, decision 2/CP.17

<sup>2</sup> „Agreed outcome pursuant to the Bali Action Plan”

<sup>3</sup> <http://unfccc.int/resource/docs/2012/awglca15/eng/misc06a06.pdf>

hanging fruit". These could be implemented as either unilateral or supported NAMAs, while avoiding double counting.

8. In the view of the EU, participation of Least Developed Countries in the Clean Development Mechanism should be strengthened; however, countries interested in market-based approaches, and having the necessary capacity, should move towards participation in the NMM and ultimately in cap-and-trade systems.
9. The NMM could become an essential catalyst for ambitious mitigation action by all countries in the near term as well as under the new protocol to be agreed by 2015 and in force by 2020 at latest. Facilitating a prompt start for the NMM, including a pilot phase before 2020, could help to further develop the technical details of the M&P of the NMM and also to build market readiness and institutional capacity in the Implementing Parties.
10. In the view of the EU it is important to aim to design a system which strives to be efficient, cost-effective and as streamlined as possible. As such, making use of existing infrastructure should be taken into account where feasible. Flexible mechanisms provide valuable experiences in this regard and where possible, existing approaches could be used as a stepping stone in development of the NMM to scale up mitigation actions and contribute to a net decrease of greenhouse gas emissions.
11. The EU also believes that common rules agreed and under the authority of the COP are necessary to ensure a robust system that safeguards environmental integrity and to ensure that emission reductions represent real, permanent and verifiable mitigation actions.

### **Possible elements of the mechanism, as listed in paragraph 51 of the Doha decision**

#### ***a) Operation under the guidance and authority of the Conference of the Parties***

12. Decision 2/CP.17 defined the NMM and stipulated that it would operate under the guidance and authority of the COP. The EU sees the oversight of the Conference of the Parties as a crucial design element of the NMM. In that regard a rules-based system agreed under the UNFCCC will guide the national implementation of the NMM.
13. A commonly agreed set of rules and standards will constitute a vital safeguard for environmental integrity of any action undertaken. It will also ensure a level playing field where participants have to meet common standards and criteria, as approved by the COP, providing the credibility that will be necessary to facilitate private sector investment.

#### ***b) Voluntary participation of Parties in the mechanism***

14. It is a Party's choice to participate in the NMM and to implement it according to its national circumstances, taking into account the M&P of the NMM. This element reiterates an already agreed principle (paragraph 80 (a) of the decision 1/CP.16). However, it should be noted that when the Implementing Party chooses to engage in the NMM, it will need to take on responsibilities including the need to designate its national authorities, putting in place measures to conform with participation requirements<sup>4</sup>, submitting initial reports and monitoring its activities in accordance with the NMM modalities and procedures. The implementation of all these elements in line with the internationally agreed set of rules and criteria should foster the Party's ability to adopt nationally tailored efficient and ambitious mitigation policies, while safeguarding environmental integrity.
15. Many Parties are already undertaking pilot initiatives that could be compatible with the NMM concept of sectoral crediting or sectoral trading. Following the adoption of NMM M&P in Warsaw, involving these Parties in NMM activities from an early stage could provide valuable experience on the ground.

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<sup>4</sup> Details on EU's view of participation requirements can be found in section 3 of the EU's submission of 16 November 2012: <http://unfccc.int/resource/docs/2012/awglca15/eng/misc06a06.pdf>

***c) Standards that deliver real, permanent, additional, and verified mitigation outcomes, avoid double counting of effort and achieve a net decrease and/or avoidance of greenhouse gas emissions***

16. It has been agreed by the Parties in Durban that market-based approaches such as the NMM need to meet standards delivering real, permanent, additional and verified mitigation outcomes that avoid double counting of effort and achieve a net decrease and/or avoidance of greenhouse gas emissions (paragraph 79 of the decision 2/CP.17). The EU wishes again to reiterate that setting baselines and thresholds is a critical factor influencing the environmental integrity of NMM activities, and consequently their trustworthiness as compliance instruments.
17. The adoption of robust principles and criteria for establishing baselines and thresholds is an essential part of the M&P for the NMM. To ensure that implemented actions bring real, permanent, additional and verified mitigation outcomes, the EU proposes an international scrutiny process. To this end, the EU envisages a model with a technical assessment of independent experts (IRT – International Review Team) supervised and guided by an international body (IC – Implementation Committee) overseeing the general implementation of the NMM, under the authority and guidance of the COP.<sup>5</sup>
18. By setting the threshold below business-as-usual emissions, the NMM would ensure that the emission reductions credited are towards the higher end of the cost curve, leaving lower cost solutions to be realised by countries as part of their unilateral or supported NAMAs, thus promoting own contribution by Implementing Parties, while avoiding the double counting of emissions reductions.
19. Main criteria for setting baselines<sup>6</sup>:
  - baselines should be based on the most conservative baseline scenario that reasonably represents anthropogenic emissions by sources of greenhouse gases;
  - policies and measures that are adopted or at an advanced stage of development at the time that the baseline is approved should be incorporated in the baseline and inflation of the baseline should be avoided;
  - the baseline, including the baseline scenario, should be revised periodically, in accordance with M&P, to take into account changes in circumstances and factors upon which it is based. This review should be undertaken by the Implementing Party, who should propose a revised baseline below the original baseline. The revised baseline should be reviewed by the IRT and approved by the IC.
20. Main criteria for setting thresholds<sup>7</sup>:
  - thresholds should be substantially below the accurately determined baseline to ensure the consideration of the Implementing Party's own contribution and a net decrease and/or avoidance of global greenhouse gas emissions;
  - thresholds should be proposed by the Implementing Party and approved by the IC. In determining thresholds, account should be taken, inter alia, of greenhouse gas mitigation potential in the broad segment of the economy participating in the NMM, and the Implementing Party's overall capability to undertake emission reduction activities. Other factors to be taken into account include financing received or expected by the Implementing Party for reducing greenhouse gas emissions and any greenhouse gas mitigation pledges assumed by the Implementing Party. At setting the level of ambition for crediting thresholds/targets, objective criteria (performance benchmarks, where feasible) should be applied;
  - thresholds should be set at a level that requires going beyond the reduction path expected to result from supported and unilateral NAMAs in the sector, and would be expected to entail higher marginal costs, leaving lower cost mitigation options to be implemented as the country's own contribution;

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<sup>5</sup> For a full picture on the proposed implementation cycle of NMM and the role of IRT, IC and COP please refer to the EU's submission of 16 November 2012 (sections 4-7)

<sup>6</sup> For a full list of principles please refer to the EU's submission of 16 November 2012 (paragraph 9.1)

<sup>7</sup> For a full list of principles please refer to the EU's submission of 16 November 2012 (paragraph 9.2):

- thresholds should be reviewed periodically, and updated when necessary. This review and update, when necessary, should be undertaken by the Implementing Party, which should propose a revised threshold below the original threshold. The proposed revised threshold should be reviewed by the IRT and be subject to approval by the IC.

***d) Requirements for the accurate measurement, reporting and verification of emission reductions, emission removals and/or avoided emissions***

21. The task of measuring and reporting of emissions occurring in the broad segment of the economy where the NMM is implemented is the responsibility of the Implementing Party. Implementing Parties would need to adhere to an internationally agreed set of rules and processes on measuring and reporting, accounting and registry related requirements, to be adopted by the COP.
22. The conformity of the Implementing Party's measuring and reporting arrangements should also be subject to international scrutiny with the involvement of the IRT and IC<sup>8</sup>.
23. Requirements for the measurement, reporting and verification of the NMM activities should include as a minimum:
  - clear allocation of responsibilities for data collection, monitoring, reporting, verification, and storage of data;
  - provisions for transparency of monitoring and reporting;
  - information on accuracy, completeness, consistency and comparability of the reported data;
  - provisions on data, sources, quality, use of factors including default factors and conservativeness – to the extent possible, observed data should be preferred over default values;
  - independent verification of actual emissions, where appropriate.

***e) Means to stimulate mitigation across broad segments of the economy, which are defined by the participating Parties and may be on a sectoral and/or project-specific basis***

24. Recalling the principle of stimulating mitigation across broad segments of economy (paragraph 80 (d) of the decision 1/CP.16), the EU wishes to reiterate the importance of agreeing on a common approach to define the broad segment of economy.
25. Regarding "Broad segment of the economy" the EU envisage that this would mean one or more sector, category or sub-category listed in Annex II of the UNFCCC guidelines on reporting and review, as adopted by the Conference of the Parties in decision 15/CP.17.
26. The EU envisages two basic forms of implementation of the NMM: crediting and trading, which both cover broad segments of economy and can be described as sectoral approaches<sup>9</sup>.
27. The Implementing Party should determine in its initial report one or more sectors, categories or sub-categories which should be included in the Implementing Party's broad segment of the economy.
28. The Implementing Party may propose in its initial report to include one or more sectors, categories or sub-categories in the Implementing Party's broad segment of the economy that diverge from the definition of sectors, categories or sub-categories pursuant to Decision 15/CP.17. For the purpose of carrying out the technical assessment of this proposal in the context of the initial report, the following criteria should be taken into account:
  - the proposal must be sufficiently justified on the basis of, inter alia, the unsuitability of the definitions of sectors, categories and sub-categories pursuant to Decision 15/CP.17 and the need to avoid leakage and double counting;

<sup>8</sup> Details of the NMM implementation cycle can be found in paragraph 4 of the abovementioned EU submission

<sup>9</sup> Details on how the EU envisages the two basic forms of implementation of the NMM participation can be found in paragraph 11 of the EU's submission of 5th of March 2012:  
<http://unfccc.int/resource/docs/2012/awglca15/eng/misc06.pdf>

- alternative definitions must be clearly defined and relate to a specific product or service. Definitions should not relate to a specific technology.
29. If the broad segment of economy proposed does not have specific methodologies adopted by the IPCC for estimating GHG emissions, the proposal from the Implementing Party should include methodologies for the estimation of these emissions that should be approved by the IRT and the IC.

***f) Criteria, including the application of conservative methods, for the establishment, approval and periodic adjustment of ambitious reference levels (crediting thresholds and/or trading caps) and for the periodic issuance of units based on mitigation achieved against a crediting threshold or based on a trading cap***

30. As described in the paragraphs 16 to 20 above, the EU envisages a model where:
- baselines and thresholds are set by the Implementing Party and approved by the Implementing Committee (IC);
  - they are set based on the internationally agreed set of criteria forming part of the M&P for the NMM;
  - emissions are monitored and reported by the Implementing Party;
  - units are issued upon the fulfilment of the relevant requirements;
  - baselines and thresholds are periodically reviewed and updated, subject to international approval.<sup>10</sup>
31. Under the crediting track, units should only be issued once emission reductions have been monitored, reported and verified by the Implementing Party and the IC, and all conformity issues have been resolved.
32. Under the trading track units corresponding to the threshold should only be issued after the approval of the Implementing Party's initial report by the IC.

***g) Criteria for the accurate and consistent recording and tracking of units***

33. Adequate tracking of units generated by the NMM activities is a vital part of the design of the mechanism.
34. Not all countries may be able to perform all functions needed to operate the NMM, especially not in the beginning. Therefore, some functions can be provided by the UNFCCC, such as a registry for the NMM. This implies that if the host country chooses to satisfy the registry requirements through use of the UNFCCC provided registry, a separate national registry would not be required. Facilitated participation for those countries not able to ensure all functions is allowed, subject to compulsory participation requirements.

***h) Supplementarity***

35. As a general principle the use of the NMM to meet mitigation commitments should be supplemental to domestic mitigation efforts. The EU also wishes to reiterate the principle of net mitigation benefit, achieved by the internationally and domestically supported emission reduction activities ("own contribution") of the Implementing Party that provide deviation from the baseline but are above the threshold.

***i) Share of proceeds to cover administrative expenses and assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation***

36. At the issuance of units for the NMM a quantity corresponding to the share of proceeds to cover administrative expenses should be forwarded to a determined account. The level of share of proceeds should not exceed the level applied in mechanisms under the Kyoto Protocol.
37. The detailed rules for the amount and destination of share of proceeds should constitute a part of the M&P for the NMM.

***j) Promotion of sustainable development***

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<sup>10</sup> Details on the issuance of units can be found in section 10 of the abovementioned EU submission

38. Implementing Parties shall be responsible for having appropriate processes in place to ensure that implementation of the NMM contributes to safe and sustainable development within the country and does not have any negative impacts on the environmental or social well-being. Implementing Parties should detail in their initial reports how the implementation of the NMM contributes to sustainable development and report annually on how this contribution is performed.

***k) Facilitation of the effective participation of private and public entities***

39. The NMM should be considered as a tool to facilitate mitigation action through policy making by the Implementing Parties. The NMM at the national level in Implementing Parties will consist of developing an institutional and regulatory framework to carry out the functions and tasks related to establishing and overseeing a mechanism that will stimulate mitigation across broad segments of the economy.
40. Implementing Parties will enjoy flexibility in choosing the best way to implement the NMM on their territory. This includes possible incentives for effectively involving private sector actors to participate in the relevant broad segment of the economy.

***l) Facilitation of the prompt start of the mechanism***

41. The EU supports the facilitation of a prompt start for the NMM, including a pilot phase pre-2020, that could provide valuable experience on the ground for Implementing Parties and investors before 2020.



**Groupe de travail spécial de l'action concertée à long terme au titre de la Convention  
Soumission par le Royaume du Maroc**

Points de vue sur les questions mentionnées aux paragraphes 50 et 51 de la décision -1/CP.18 :  
Programme de travail pour élaborer des modalités et procédures sur un nouveau mécanisme de marché, opérant sous l'autorité de la Conférence des Parties.

**Le 25 mars 2013**

La Conférence des Parties à sa dix-huitième session, qui s'est tenue à Doha, a invité les Parties et les Organisations observatrices accréditées à communiquer au Secrétariat de la Convention, avant le 25 Mars 2013, leurs points de vue sur les questions visées aux sous-paragraphes 50 et 51 au sujet du programme de travail sur les modalités et procédures pour un nouveau mécanisme de marché (NMM), opérant sous l'autorité de la Conférence des Parties, et ce, en vue de recommander un projet de décision à la Conférence des Parties pour adoption à sa dix-neuvième session.

Le Royaume du Maroc voudrait saisir cette opportunité pour exprimer les points de vue suivants.

- 1) Le cadre international après 2012 devrait envisager de nouveaux mécanismes de marché ou de non marché, en vue de mieux exploiter toutes les opportunités possibles d'atténuation, et ce, dans la finalité d'atteindre les objectifs globaux de préservation de l'intégrité environnementale. Il doit inclure aussi bien l'approche sectorielle et sous-sectorielle ainsi que l'approche basée sur les projets. Toutefois, il y a lieu de signaler que les aspects économiques ne devraient pas prévaloir au détriment des aspects environnementaux et sociaux.
- 2) Le NMM devrait :
  - Tirer profit des acquis et des aspects positifs des mécanismes de flexibilité déjà existants du Protocole de Kyoto.
  - Etre défini et supervisé exclusivement sous l'autorité de la COP.
  - Contribuer à rehausser le niveau d'ambition en matière d'atténuation des GES.
  - Ouvrir de nouveaux horizons pour inciter les pays en développement à participer à ce NMM.
  - Contribuer à l'alimentation du fonds d'adaptation au même niveau que les mécanismes de flexibilité du Protocole de Kyoto.
  - Promouvoir le transfert et la dissémination de technologies, de produits et de services sobres en carbone vers les différents pays bénéficiaires et contribuer ainsi à leur Développement Durable.
  - Reposer sur des procédures d'accès simples et à faible coûts de transaction.
  - Assurer une distribution géographique juste et équitable entre les différents pays bénéficiaires.
  - Permettre la mise en place de systèmes MRV simples et performants.
  - Veiller à la mise en place de procédures claires pour éviter le double comptage des réductions des émissions des GES.
- 3) Le NMM devrait être conçu pour contribuer techniquement et financièrement à la mise en œuvre des NAMAs dans les pays bénéficiaires, notamment à travers l'attribution directe de crédits d'émission pour la mise en œuvre d'un instrument politique d'atténuation.

- 4) Le NMM devrait bénéficier d'une période de démarrage précoce, notamment à travers la mise en œuvre de projets pilotes, à titre volontaire au niveau de pays bénéficiaires, en vue de leur permettre une meilleure maîtrise des pré-requis de leur participation au NMM.
- 5) Des activités de renforcement de capacités devraient être réalisées au profit des pays bénéficiaires en vue de :
  - Développer une compréhension commune autour des opportunités et requis du NMM.
  - Permettre à ces pays de mieux se préparer pour participer pleinement au NMM.
- 6) L'organe subsidiaire SBSTA est invité à se pencher sur les aspects techniques devront régir ce NMM, en l'occurrence la définition des scénarios de référence, les normes de performance, les niveaux d'agrégation, les systèmes MRV...etc.
- 7) Le Secrétariat de la Convention est sollicité pour procéder à une évaluation de la performance des autres mécanismes de marché, notamment le MDP en vue d'identifier les leçons apprises quant à la garantie de l'intégrité environnementale de ces mécanismes.
- 8) Lien avec le Cadre des Approches Variées (FVA) :
  - Les Approches Variées pourraient inciter le secteur privé, entre autres, à s'impliquer davantage dans des efforts d'atténuation. A cet effet, tout ce qui a été avancé ci-dessus pour le NMM reste valable pour ces approches.
  - Ces Approches devraient être reconnues par la Convention conformément à un cadre commun de comptabilisation des émissions, et devraient ainsi répondre aux exigences liées à la transparence et à la cohérence en matière des unités de réduction de carbone.
  - Ces approches devraient être régies par des règles et des normes internationales notamment celles du système MRV.
  - L'intégrité environnementale des Approches Variées doit atteindre le même niveau escompté par le NMM.

**Ad Hoc Working Group on Long-term Cooperative Action to enhance  
implementation of the Convention (AWG-LCA)  
Submission by the Kingdom of Morocco**

Views on matters referred to in paragraphs 50 and 51 of decision -1/CP.18:  
Work programme to elaborate modalities and procedures for a New Market-based  
Mechanism, operating under the guidance of the COP

**25 March 2013**

The Conference of the Parties at its eighteenth session held in Doha invited Parties and accredited observer organizations to submit to the Secretariat, by 25 March 2013, their views on matters referred to in paragraphs 50 and 51 of decision -1./CP18 related to the work programme to elaborate modalities and procedures for a New Market-based Mechanism (NMM), operating under the guidance of the COP, with a view to recommending a draft decision to the COP for adoption at its nineteenth session.

The kingdom of Morocco welcomes this opportunity and would like to submit the following views:

- 1) The post 2012 framework should consider new mechanisms that are market based or non market based to harness every single potential mitigation opportunity, with the purpose of achieving the overall objectives of preserving environmental integrity. It should include the sectoral, sub-sectoral and project-based approaches. However, it should be noted that economics should not prevail at the expense of environmental and social aspects.
- 2) The NMM should:
  - Build on existing experiences and lessons learned from the existing Kyoto protocol mechanisms.
  - Be defined and administered exclusively under the COP authority.
  - Contribute to raise the level of ambition in terms of GHG mitigation.
  - Open new opportunities to encourage developing countries to participate in the NMM.
  - Contribute to the adaptation funds at the same level as the Kyoto protocol mechanisms.
  - Promote the transfer and dissemination of low carbon technologies, products and services to individual recipient countries, and thus contribute to their sustainable development.
  - Be set up on simple access procedures with low transaction costs.
  - Ensure fair and equitable geographical distribution between individual recipient countries.
  - Allow the elaboration of simple and efficient MRV systems.
  - Ensure the establishment of clear procedures to avoid double counting of GHG emission reductions.

- 3) The NMM should be designed to contribute technically and financially to the implementation of NAMAs in recipient countries, mainly through the direct assignment of NAMAs' emission credits for the implementation of a mitigation policy instrument.
- 4) The NMM should benefit from a prompt start period, mainly through the implementation of pilot projects on a voluntary basis in recipient countries, to better understand the prerequisites for their participation in NMM.
- 5) Capacity building activities should be carried out in the recipient countries in order to:
  - Develop a common understanding regarding the opportunities and requirements of NMM.
  - Allow the recipient countries to be better prepared to fully participate in NMM.
- 6) The SBSTA is invited to consider the technical aspects that should govern the NMM, namely the definition of baselines, performance standards, levels of aggregation, MRV systems ... etc.
- 7) The UNFCCC Secretariat is requested to carry out an assessment of the performance of other market mechanisms, mainly the CDM in order to identify lessons learned with regards to the safeguard of the environmental integrity by these mechanisms.
- 8) Link with the Framework for Various Approach (FVA):
  - Various Approaches would encourage mainly the private sector to engage more in mitigation efforts. Therefore, all what has been suggested above for NMM remains valid for these approaches.
  - These approaches should be recognized by the Convention in accordance with a common framework for emissions accounting and should thus meet the requirements for transparency and consistency in terms of carbon reduction units.
  - These approaches should be governed by international rules and standards including the MRV system.
  - The environmental integrity by Various Approaches should achieve the same level expected by the NMM.

## **Norwegian submission on a new market-based mechanism**

Norway welcomes the opportunity to submit its view in accordance with paragraph 52 of FCCC/CP/2012/8/Add.1. This submission focuses on the new market-based mechanism. A separate submission has been made on the Framework for Various Approaches.

### **General Comments**

Norway places great importance on the development of a new market-based mechanism. Parties have gained a good deal of experience with the mechanisms under the Kyoto Protocol. However, in order to meet the challenges posed by climate change, Parties must deliver on their pledges and target, and to meet the two degree target – enhance their ambitions. To facilitate ambitious climate targets, Parties must begin to examine ways in which to broaden the use and effectiveness of market-based mechanisms. The new market-based mechanism, as defined in Decision 2/CP.17 and further elaborated in Decision 1/CP.18, could provide the means to promote enhanced mitigation actions by all Parties while ensuring cost-effectiveness of these actions. In our view, market mechanisms in the future climate regime should be flexible with respect to who is buying and who is selling credits. This should be determined on an individual basis, through Parties' choice in how they will meet their mitigation commitments. This in turn should help facilitate an increase in ambition in a future climate regime, as well as pre-2020. Scaling-up mitigation actions, will also require greater access to financing as well as low carbon technologies. Norway believes that the new market-based mechanism, if designed appropriately, can provide for the scaling up of actions, finance and technology deployment. Furthermore, the design of the new market mechanism could promote longer-term transition to low emission development.

The development and use of a new market mechanism working under the authority of the Conference of the Parties should be based on the following:

1. Voluntary participation of Parties.
2. The principles and objectives of the Convention.
3. Mitigation outcomes achieved through domestic actions are undertaken in accordance with national circumstances.
4. The mechanism should provide a means to stimulate mitigation across broad segments of the economy, as defined by the participating Parties, including on a sectoral and/or project specific basis.
5. Environmental integrity is to be achieved through sound modalities, rules and guidelines, including standards which:
  - a. Deliver real, permanent, additional and verified mitigation outcomes,
  - b. Avoid double counting of emission reductions
  - c. Achieve a net decrease and/or avoidance of greenhouse gas emissions.
  - d. Ensure a robust system for accurate measurement , reporting and verification of emissions reduced, removed and/or avoided.
6. Assistance to developing country Parties in preparation and use of the mechanism.

The new market mechanism will need to be carefully structured in order to ensure that the mechanism is accessible to all, while remaining cost-effective and sustaining environmental integrity. Focused detailed discussions are needed, as well as gaining experience through pilot activities. Norway hopes to provide input to these discussions, including a roadmap for action for the remainder of this year.

### **A New Market Mechanism**

Norway supports the development of a sector-based mechanism - covering broad segments of the economy - that encompasses a two-track system, one for crediting, where credits are issued *ex post* for emissions reduction achieved according to an *ex ante* defined crediting threshold, and one for trading, where trading units can be issued *ex ante* according to an *ex ante* defined emission cap. The crediting mechanism is the simplest to implement. Credit units would be issued only if the sector as a whole reduces emissions beyond the established crediting threshold. If the actual emissions are higher than the crediting threshold, there will be no credit units to sell.

Unlike the crediting track, sectoral trading will set a cap up front, on emissions for sources within the given sector. The host Party, under this track, would establish the target(s) for sectors to be included under this track and report to a governing body. This track would function similar to Article 17 trading under the Kyoto Protocol. The host Party can sell emission reduction units before the reductions occur. A trading mechanism will therefore imply that the host Party will need to purchase reduction units for emissions above the cap.

The trading track would probably be more suitable for segments of the economy where a host party has in place systems necessary to trade under a binding cap, and the level of guidance from any UNFCCC governing body for a trading track should take this into account.

A sectoral crediting mechanism provides Parties with greater opportunity to reduce emissions within a sector while improving infrastructure, providing greater access to low carbon technologies and financing. Under this track, the host Party identifies appropriate sector(s) for inclusion in the mechanism; business as usual baselines are developed in accordance with guidance to be provided by an appropriate governing body. Also in this case the sector covered by the NMM has to be defined in a clearly and transparent manner in order to compare the *ex post* emission with the *ex ante* defined crediting thresholds. A stringent crediting threshold should be set below the business as usual baseline.

### **Developing a work program to ensure progress**

A number of questions remain, that need to be addressed in order to design and implement a new market-based mechanism. Below we propose a list of issues to be addressed this year in order to make progress on this issue at COP 19. The list is not meant to be exhaustive, but rather indicative of what issues Norway see as crucial to discuss among parties.

Key questions include:

- What is the most appropriate form of governance and should governance levels vary between the crediting and trading tracks? Other issues include the level of guidance and supervision for the two tracks, eligibility and participation requirements for the two tracks as well as whether there are common structural elements to both tracks.
- What institutional structure would be necessary in order to avoid double counting of emission reductions? How can we build on existing experiences to achieve this?

- While the host Party should be responsible for identifying the sector(s) it includes in this mechanism, what guidance or criteria will Parties require for determining sectors, sources and gases for inclusion?
- Which methodology and criteria should be used for setting baselines, and who will provide guidance or criteria on baseline development?
- How and who will determine crediting thresholds?
- What lessons can we draw from existing mechanisms in particular under the Kyoto Protocol, including on MRV, standardized baseline setting under the CDM, registries and the ITL?
- Are there lessons that can be drawn from experiences gained in other two tracked market-based mechanisms such as JI? How might the difference in inventory, reporting and recording requirements between the two tracks provide insight into how to structure the cycle for the new market mechanism?

Norway believes it is time to begin detailed discussions on the new market-based mechanism. Discussions should target the questions listed above as well as the elements listed in paragraph 50 of Decision 1/CP.18. In order to facilitate fruitful discussions, Norway would welcome a technical paper produced by the secretariat addressing the key elements of this mechanism, including scope, functions, and governance, as well as options for baseline and crediting threshold setting. Such a paper could feed into a workshop that preferably should be held as quickly as possible after the paper has been published and with good time prior to the next COP session. The workshop could be designed to be a forum for Parties to exchange views on and address the issues raised in the paper as well as in any submissions from Parties. The workshop should also examine options for draft modalities and procedures in order to ensure that substantive discussions will lead to development of draft modalities and procedures that can be forwarded to the COP at its 19<sup>th</sup> session.

## Paper no. 8: Saudi Arabia

### Views on matters related to the New Market-based Mechanism

Saudi Arabia welcomes the opportunity to submit its views on the work program for elaborating the modalities and procedures for the New Market-based Mechanism in line with decision 1CP/18, which invites Parties and admitted observer organizations to submit their views on matters referred to in paragraphs 50–51, including information, experience and good practice relevant to the design and operation of the mechanism referred to in paragraph 50.

Saudi Arabia believes that using New Market Mechanism to enhance mitigation actions should be viewed in the context of the Bali action plan package and should be implemented to achieve the objectives of the Convention. Therefore, the implementation of New Market Mechanism must be the context of the balance and comparable implementation of other elements such as adaptation, finance, capacity building and technology transfer.

While supporting the objective of the NMM for enhancing the cost effectiveness of, and to promote mitigation actions, Saudi Arabia believes that the NMM should be established on the following key principles:

- Ensuring voluntary participation of Parties, supported by the promotion of fair and equitable access for all Parties, and should not introduce emission reduction commitments for developing countries;
- Complementing other means of support for nationally appropriate mitigation actions by developing country and Parties reserve the right to develop other market-based mechanisms in accordance to their national circumstances;
- Assisting developed country Parties to meet part of their mitigation targets, while ensuring that the use of such a mechanism is supplemental to domestic mitigation efforts;
- Market-based mechanism established under the Convention should cover a broad segment of the economy, as well as project-based, subject to the discretion of the host country and that its modalities and procedures should be comparable to those established under the Kyoto Protocol.
- Safeguarding environmental integrity;
- Ensuring a net decrease and/or avoidance of global greenhouse gas emissions;
- Ensuring good governance and robust market functioning and regulation;
- Promotes transparency of information and is consistent with UNFCCC guidelines for measurement, reporting and verification, including biennial and national communication reporting guidelines;

However, given the foreseeable carbon market condition and the demand for carbon credits, determining the global nature of NMM to be a centralized system under the oversight of the UNFCCC is a pre mature judgment. It would be more sensible to allow an organic growth of a global NMM that would achieve the domestic emissions reduction of their host countries, and build on those systems whenever a global need arises. In essence, we should aim to establishing a



bottom-up system that is more resilient and flexible to meet the objective of cost-effective emission reduction while it still maintains the incentive for country Parties to pursue. Providing such flexibility to host countries would enable them to better address their sustainable development needs while achieving emission reduction targets.

Therefore, we hope that the work program for elaborating the modalities and procedures of the NMM to be conducted under SBSTA would further elaborate the appropriateness of the global approach to NMM versus country based systems that is transitional to meet global demand.

Paper no. 9: South Africa  
**Submission by South Africa**

**NEW MARKET-BASED APPROACHES**

**25 March 2013**

South Africa welcomes the opportunity to submit its views on 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.

South Africa asserts that Market based approaches are those approaches that enable the international transfer of units created by activities that reduce or avoid greenhouse gas emissions against a defined and transparent baseline. South Africa further asserts that the Framework for Various Approaches (FVA) shall govern the adoption and application of various market-based approaches by Parties; which in turn is governed by the Conference of Parties.

The New Market-based Mechanism (NMM) must build on the experiences and lessons learned from the Clean Development Mechanism ensuring that the problems such as inequitable regional distribution are not repeated in the design of the NMM. The NMM is accessible to all developing country Parties. The NMM is accessible only to those developed country Parties that have expressed quantified emission limitation and reduction obligations under the Convention.

The NMM design must encompass the following elements:

- Result in real emissions reductions
- Be supplemental to domestic action
- Be subject to the common standards developed under the FVA to:
  - Deliver real, permanent, additional and verified emissions reductions and/or avoidance which include the following:
    - Reduction of greenhouse gas emissions by sources or avoided emissions resulting from a clearly identified action or policy (activity);
    - Emissions reductions or avoided emissions are accurately measured and recorded over time, at a reasonable frequency
    - Provision for unit tracking and registering;
    - The effective tracking of activities (therefore units created), including registries that record the attributes, quantities and ownership of units, and transaction logs that record the movement of units within and among Parties;
    - The effective operation of emissions trading systems, including emissions caps, unit distribution and points of regulation;

- Good governance, including the development of appropriate legal and regulatory frameworks
  - Ensures fungibility of units generated by mechanisms under the Convention and its Protocol.
- Disallow double counting by ensuring the following:
    - A unit can be claimed only once, and on an exclusive basis, towards the achievement of a developed country Party's mitigation commitment or target, or towards the achievement of a developing country Party's mitigation action;
    - If a developed country counts units towards its mitigation commitment or target, it cannot also count the carbon finance as a contribution towards the financial goal of \$ 100 billion per year by 2020.
      - Measures exist to ensure the accurate and consistent quantification of quantification of activities (units created)

The work programme on the NMM must be robust and developed in a transparent manner that is fully inclusive of all Parties.

## **Tunisia's Submission on the New market-based mechanism**

### **I. INTRODUCTION**

Tunisia welcomes the decision taken at COP18 to conduct a work programme in order to elaborate modalities and procedures for a new market-based mechanism (NMM). Tunisia sees the NMM as a way to engage in larger scale mitigation actions as a contribution to global efforts to limit global warming below 2°C. In order to ensure the proper functioning of the NMM, it is crucial that developed countries create a higher demand for carbon credits by raising the ambition of their mitigation commitments.

Tunisia has been active in the global carbon market via its six registered CDM projects and programmes and is currently developing NAMAs in the energy, agriculture and waste sectors. Furthermore, multi-stakeholder dialogues as well as an in-depth preparatory study have been launched to prepare a pilot NMM activity in the Tunisian cement sector.

Tunisia looks forward to constructive discussions under the SBSTA, with a view to adopt a decision at COP 19 in order to make the NMM operational as soon as possible. The decision should comprise the following elements: 1) guidelines on governance and institutional arrangements, 2) technical guidelines regarding baselines, crediting/trading thresholds, periods and targets and 3) identification of financing instruments for capacity building in order to launch early pilot NMMs.

### **II. GOVERNANCE AND INSTITUTIONAL ARRANGEMENTS**

- The participation in the NMM shall be voluntary.
- It is crucial to elaborate a common, core set of MRV and accounting rules, in order to ensure the environmental integrity and avoid double counting of emission reductions achieved under the NMM, the Kyoto mechanisms, and the *Framework for Various Approaches*.
- An international body, under the authority and guidance of the COP, should be established with the role to register NMM activities and issue carbon credits.
- At the national level, a *Designated National Authority* (DNA) should be established with the task
  - a) to confirm whether the NMM activities assist the host country in achieving sustainable development, and
  - b) to approve NMM activities vis-à-vis the international body.

The experience with the CDM should be capitalised in this context.

- It is a prerogative of the host country to define sustainable development criteria. The host country can benefit from the work of the Rio+20 process, which might provide sustainable development indicators that can be adapted to national circumstances.

### **III. DEFINITION OF SECTORS, BASELINES, CREDITING/TRADING THRESHOLDS, PERIODS AND TARGETS**

- The definition of the “broad segment of economy” is at the discretion of the host country; existing internationally agreed definitions such as the IPCC inventory guidelines may be applied. Common MRV and accounting rules will permit to avoid double counting.
- Common criteria should be elaborated regarding the development of baselines, the crediting/trading thresholds, periods and targets, which give sufficient flexibility to the host country in order to respond to national needs, taking into account domestic circumstances, while at the same time safeguarding the environmental integrity of the NMM.
- It is at the discretion of the host country to establish baselines and targets based on either absolute greenhouse gas emissions, emissions per unit of GDP or per metric ton of product output. Baselines have to be subject to regular review and they shall include all relevant sources of greenhouse gas emissions.

In order to reduce transaction costs, standardized baselines – partly already developed under the CDM – should be allowed if these have proven applicable and technically sound. CDM project activities should be considered in the baseline scenario in order to avoid double counting.

### **IV. NECESSITY OF FINANCIAL SUPPORT FOR THE EARLY START OF THE NMM**

- Bilateral and multilateral support should be provided in order to meet capacity building needs of the host country, for example in order to establish appropriate MRV systems and the DNA. The NMM work programme should identify sources for capacity building support.
- Before the NMM becomes operational, early pilot activities should be encouraged. Developed countries should be allowed to purchase carbon credits from pilot activities. These can be used to meet developed countries’ financial commitments under the Convention; not, however, to fulfil own emission reduction commitments. During the pilot phase, the price of the credits could be based on the effective cost of the respective abatement activities.
- International financial support for capacity building as well as for the purchase of credits from pilot activities can be counted towards developed countries’ financial commitments under the Convention. By contrast, the purchase of carbon credits used to meet developed countries’ mitigation commitments, after the NMM has become operational, cannot be counted as financial support.

### **V. SYNERGIES WITH NAMAS**

- The complementary relationship between supported NAMAs and NMMs should be clarified during the work programme. For example, it should be discussed whether a supported NAMA could cover the upfront costs of developing an NMM activity, and whether it could cover parts of the investment costs to achieve the net emissions reduction of an NMM

activity. Furthermore, possibilities to create synergies between the MRV systems of NAMAs and the NMM should be explored.

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