

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

Japan welcomes the decision adopted at COP17 in relations to various approaches, including opportunities using markets, to enhance the cost-effectiveness of, and promote to, mitigation actions, bearing in mind different circumstances of developed and developing countries. It also welcomes the opportunity to submit its views on the “standards” which the various approaches must meet and “a framework” for such approaches.

1. Need for various approaches

- (1) Many Parties and regions have currently been pursuing their own market mechanisms. This reflects their increasing intentions to promote their mitigation efforts in a cost-effective manner, taking into account their national circumstances.
- (2) Japan considers the agreement reached in Durban in 2011 in relation to various approaches (section E, chapter 2 of Outcome of the work of the AWG-LCA), which recognizes Parties’ abilities to develop and implement their own approaches as well as the need to consider a framework for such approaches, as a significant step forward to facilitating the Parties’ various mitigation efforts.
- (3) Given the complexity of the issues that the Parties have to address in mitigating climate change, “one size fits all” approach will not be best suited for addressing them in full and in the most efficient manner. Though the existing market mechanisms administered by the UN, such as the CDM, should continue to be utilized with necessary improvements beyond 2013, it is crucial for the Parties to establish a wide variety of approaches which best reflect their circumstances while ensuring environmental integrity, to learn lessons from their own and other Parties’ experiences and to improve the implemented approaches as they progress. The existing mechanisms and such Parties driven approaches should complement each other, which will contribute to the achievement of the ultimate objective of the UNFCCC; stabilization of greenhouse gas concentrations in the atmosphere.

2. A framework for promoting various approaches

- (4) The agreement reached in Durban in relation to the various approaches refers to “a framework” for the approaches, including opportunities for using markets, to enhance the cost-effectiveness of, and to promote, mitigation actions.
- (5) Among the various approaches referred to in the agreement, particularly the ones using markets, there could be, on one hand, mechanisms to be guided by the COP under a centralized governance, and, on the other, a framework which allows Parties to design and implement their own approaches under a decentralized governance, with the assistance from the COP providing the basic principles.
- (6) Japan attaches importance to the role of the mechanisms with decentralized governance, given some difficulties being faced with the CDM (such as high transaction costs, inequitable geographical distribution of projects, and disproportionate CER issuance from certain types of projects). Although Japan will continue to participate constructively in the discussion regarding the reform of the CDM, Japan would also like to pursue flexible and decentralized market mechanism, through bilateral and regional cooperation, to enhance its contribution to the global GHG emission reductions and complement the CDM. At the same time, Japan expects other Parties to facilitate their efforts through the implementation of unique and innovative approaches, not undermining CDM but supplementing it.
- (7) Such 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 the one where tradable emission reduction credits are issued and retired.
- (8) “A framework” to be established by the COP needs to play a role to facilitate the wide spectrum of approaches described in the paragraphs above. To be more specific, the COP could establish basic principles to be applied to the approaches, supply best practices as a reference, and provide a reporting system and reporting formats for ensuring transparency. The basic principles mentioned above could include the elements stipulated in the Cancun Agreement (Decision 1/ CP16, para80).

3. Standards for various approaches

(9) The agreement reached in Durban made it clear that the various approaches, including opportunities for using markets, must meet “standards” in order to deliver real and verifiable emission reductions.

(10) Under the decentralized governance, a standard necessary for the implementation of each mechanism could not be exactly the same with each other, reflecting different national circumstances and priorities of the implementing Parties and the characteristics of the mechanism. Therefore, the standard will be best developed by the implementing Parties.

(11) The standard to be developed by the implementing Parties under decentralized governance 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)

(12) The standard developed by the implementing Parties under the decentralized governance needs to be disclosed to the public, including through a reporting process established, or to be established, by the COP in order to secure transparency. The information to be disclosed should also include the record of implementation of the standard and lessons learned from the implementation.