

Submission of Views

by

Bangladesh, Belize, Chad, Cote d'Ivoire, Democratic Republic of Congo, Dominica, Dominican Republic, Fiji, Gabon, Guyana, Honduras, Kenya, Liberia, Nigeria, Panama, Papua New Guinea, Republic of Congo, Sierra Leone, Uganda

on

New Market-Based Mechanism

30 August 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)¹;
 - new market-based mechanism (NMM)²;
 - non-market-based approaches (NMA)³.

2. In accordance with decision 1/CP.18, paragraphs 50 – 53, the Subsidiary Body for Scientific and Technological Advice (SBSTA) at its thirty eighth session:
 - initiated the work programme to fulfil its mandate of elaborating modalities and procedures for the new market-based mechanism (NMM), with a view to recommending a draft decision to the Conference of the Parties (COP) for adoption at COP 19 (November 2013);
 - agreed to continue its consideration of this matter at SBSTA 39 (November 2013);
 - agreed to invite discussion at that session of the questions set out in, inter alia, paragraphs 4 and 5 of the draft conclusions proposed by the Chair on the framework for various approaches.⁴

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

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

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

⁴ FCCC/SBSTA/2013/L.8, paragraph 4 and 5

4. 'On the role of the NMM:

3. For this purpose the Coalition for Rainforest Nations (CfRN or Coalition) considered issues related to the NMM and prepared this submission of views. We therefore reiterate our call for a clear decision to be adopted by COP19 on the design and infrastructure of the FVA and the NMM, while continuing the discussion around NMA as of next year.

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- (a) In which aspects is the NMM different from existing market-based mechanisms?
- (b) Is there a relationship between a Party's level of mitigation ambition and its use of the NMM and, if so, what is the appropriate relationship?
- (c) What are the links between the NMM and other relevant matters under the Convention and its instruments?
- (d) How can the consistency of the NMM with the objective, principles and provisions of the Convention, with the science of climate change and with environmental integrity be ensured?
5. On the technical design of the NMM:
- (a) Its operation under the guidance and authority of the COP: how should the COP exercise its guidance and authority over the NMM, what should the institutional arrangements for the NMM be, and what should the role of the UNFCCC be in relation to the individual Parties that implement the NMM?
- (b) The voluntary participation of Parties in the mechanism: how should this be ensured, and how can the NMM incentivize wider Party participation?
- (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: what are these standards, how should they be developed and applied, and what lessons should be learned from other experience, including under the Kyoto Protocol?
- (d) Requirements for the accurate measurement, reporting and verification of emission reductions, emission removals and/or avoided emissions: what are these requirements, how should they be applied, and what lessons should be learned from other experience, including under the Kyoto Protocol?
- (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: what are examples of such segments, how should the NMM stimulate mitigation within them, and on what basis should the participating Parties define them?
- (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: what are these criteria and how should they be applied?
- (g) Criteria for the accurate and consistent recording and tracking of units: what are these criteria, how should they be applied, what technical systems need to be in place and what lessons should be learned from other experience, including under the Kyoto Protocol?
- (h) Supplementarity: should this be defined and ensured and, if so, how?
- (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: should there be a share of proceeds and, if so, how should it be structured and applied and at what level should it be set?
- (j) The promotion of sustainable development: how can the NMM promote this?
- (k) The facilitation of the effective participation of private and public entities: how should the NMM facilitate such participation and how can its incentives be structured appropriately?
- (l) The facilitation of the prompt start of the mechanism: what measures should be taken to facilitate the prompt start of the NMM and what criteria should be in place?
- (m) Eligibility criteria for the use of the mechanism: should there be such criteria and, if so, what are they and how and to whom should they be applied?
- (n) Role of the implementing Party: what should be the role of the implementing Party in the operation of the NMM?
- (o) Governance: what measures can be taken to ensure the good governance of the NMM?'

4. This submission should be considered in conjunction with the following previous submissions of the Coalition:
- new market-based mechanism made on 25 March 2013;
 - various approaches, including opportunities for using markets, to enhance the cost effectiveness of, and to promote, mitigation actions to the Ad Hoc Working Group on Long term Cooperative Action at its fifteenth session made on 29 February 2012;
 - Reducing Emissions from Deforestation and Forest Degradation and the role of Conservation, Sustainable Management of Forests, and the Enhancement of Forest Carbon Stocks to the Ad Hoc Working Group on Long term Cooperative Action at its fourth session made on 30 March 2009.

Role of the NMM

5. 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'⁵ and should cover reduction of greenhouse gas emissions by sources and removals by sinks in broad sectors of the economy, including reducing emissions from deforestation and forest degradation in developing countries, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries (REDD+).

⁵ 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.

6. The NMM should contribute to raising the level of ambition of developed country Parties in their mitigation commitments under the Convention. To this end, 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 as agreed by the COP to contribute to compliance with their additional emissions reduction commitments.
7. The level of additionality referred to in paragraph 6 above shall be measured on the basis of standards and guidelines agreed by the Conference of the Parties on the basis of verifiable information (e.g. reference levels) on the reduction of greenhouse gas emissions by sources and removals by sinks in broad sectors of the economy submitted by Parties who voluntarily wish to contribute to mitigate climate change.
8. The level of ambition of developed country Parties in their mitigation commitments under the Convention should be raised through, inter alia, setting reference levels below business-as-usual and set aside of units (for instance commensurate with the implementation outcome of REDD+ activities).

Technical design

9. The new market based mechanism will be sectoral in nature (crediting, trading or a mixture thereof), operate under the guidance and authority of the COP.
10. 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 paragraphs 70 and 73 of decision 1/CP.16.
11. The REDD+ mechanism should:
 - Be voluntary;
 - Assist Parties' compliance with their mitigation commitments under the Convention;
 - Include net reduction and/or avoidance of greenhouse gas emissions that are fully measured, reported and verified at the national level consistent with decision 1/CP.16 and any other relevant COP decision;
12. Common procedures, rules and standards should be harmonized based on COP guidance, taking into account national circumstances and capabilities, so that real, additional and verified mitigation outcomes are achieved by the NMM.
13. Developing countries implementing the NMM should be provided adequate financial and technical support, reflecting national circumstances and capabilities.

14. Requirements for the accurate measurement, reporting and verification at the national level of emission reductions, emission removals and/or avoided emissions should be developed and introduced. The Kyoto Protocol accounting infrastructure may be considered as a reference.
15. The NMM should be agreed and implemented as soon as possible so that early action could generate pre-2020 units to be used in the context of the 2015 climate agreement.
16. Adequate financial and technical support should be provided to developing countries engaging in early action.
17. In accordance with Article 3, paragraph 12 bis and ter of the Kyoto Protocol units generated from the REDD+ mechanism 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) of the Protocol. In the SCP, developed country Parties will be able to set aside an amount of AAUs, 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
18. Specific rules for participation (eligibility criteria) and for triggering ambition (the NMM should be used only if the level of ambition mentioned above is increased so as to ensure additionality) should be established by COP19, taking into account national circumstances and capabilities.