

Submission by Nepal on behalf of the Least Developed Countries Group with respect to Non-Market-Based Approaches

Nepal on behalf of the Least Developed Countries Group (LDC Group) has pleasure in offering its views with respect to the Non-market-based approaches. In this submission, Nepal has responded to the questions asked by the Co-Chairs as called for in FCCC/SBSTA/2013/L.7.

What is understood by the term non-market-based approach? What does it mean in the context of addressing climate change?

LDCs understand that non-market-based approaches are a broad spectrum of actions that contribute to reducing global greenhouse gas emissions by both Annex I and Non Annex I Parties. Ostensibly, this refers to non-carbon market based approaches. There may be approaches that have links to markets that are not directly linked to the carbon market that could be included within the definition of non-market based approaches. For example, labelling of energy efficient products or sustainably managed forest products could be included in this category of non-carbon market-based approaches.

Much of the work undertaken by the Ad Hoc Working Group on Long-term Cooperative Action with respect to non-market based nationally appropriate mitigation actions represents a major contribution to this work. This work should be incorporated within the discussion and not repeated.

Considering the poor state of the carbon market and recent reporting incidences of carbon market fraud, LDCs place great importance in the development of non-market based approaches. Furthermore, many LDCs are unlikely to have access to market based approaches due to a variety of reasons. This has been the case with the Clean Development Mechanism. Therefore, non-market based approaches are likely to deliver more equitable outcomes, particularly for LDCs. Saying that, we believe that non-market based approaches should play a significant role in the mitigation effort for all countries. An over-reliance on market based approaches is unlikely to lead to significant emission reductions

What is the scope of the activities to be considered under non-market-based approaches?

The LDC Group believes that non-market-based approaches include *inter alia*:

- a) **Policy approaches:** These include national initiatives such as feed in tariffs, low carbon development strategies, and energy efficiency standards.
- b) **Financial incentives:** The provision of support to assist developing countries, particularly LDCs, to develop renewable energy and energy efficiency technologies. Such financial measures could include green investment funds, revolving funds and concessional loans.
- c) **Regulatory measures:** This could include regulations on various greenhouse gas producing industries including vehicle emissions and emissions from power production.

d) **Taxes and rebates:** This includes carbon taxes and rebates for the use of renewable energy and energy efficiency technologies.

e) **Technology cooperation and transfer:** The promotion of renewable energy technologies through technology cooperation and transfer will be an important contributor to reducing greenhouse gas emissions. Efforts should be made to reduce or eliminate intellectual property restrictions. Design sharing or leasing arrangements should be encouraged.

f) **Efficiency standards:** Energy efficiency standards can apply to building design, energy intensive machinery, transport, etc.

g) **Non-market based targets such as renewable energy:** Establishing non-market based targets for renewable energy in collaboration with incentive measures such as tax rebates can provide effective means to increase the use of these technologies.

h) **Public information and education:** Without the knowledge of low or zero carbon energy alternatives the uptake of such technologies is likely to be minimal. The public need to have appropriate knowledge about the options that are available to them. The importance of taking action to address climate change should be an integral part of education programmes at all levels.

i) **Public and zero emission transport incentives:** Various incentives can be established to promote the use of public and zero emission transport technologies. These include subsidised fares, special access lanes for public transport, restrictions on private parking or access to urban areas by private vehicles, the development of cycle pathways and so forth.

j) **Research and development:** All countries need to develop renewable energy and energy efficient technologies that are suitable for their circumstances. Funding support should be provided to advance research and development of such technologies that can be manufactured in the country of use.

k) **Carbon sequestration incentives:** Various non-market approaches to promote carbon sequestration in forests, agriculture and other natural systems should be promoted through various forms of public finance. Actions to reduce emissions from deforestation and forest degradation could be enhanced through the use of non-market based approaches. Labelling of sustainably managed forest products could fit within this category. Measures associated with forest law enforcement, governance and trade (FLEG-T) as a means to address the drivers of deforestation and forest degradation could be another. Eliminating incentives for environmentally unsound biofuels is another important measure. Care must be taken not to ensure that all these measures do not create ecological or social impacts from such incentive schemes. Measures to protect the rights of indigenous peoples and local communities can contribute to reducing emissions in natural ecosystems. Geo-engineering is not considered an appropriate sequestration approach due to significant environmental and social implications.

l) **Removal of carbon subsidies:** Removing subsidies and incentives for the development and deployment of fossil fuel technologies would be a major step towards reducing greenhouse gas emissions. Annex I Parties need to take the lead in this respect and remove all subsidies for fossil fuels. International financial institutions should also initiate policies

to immediately remove fossil fuel technology support. For LDCs, the provision of subsidies for fossil fuel may be a necessary step in poverty eradication. Efforts should be made to assist LDCs gradually remove these subsidies and replace these with incentives for renewable energy options.

m) Alleviating market distortions: Some industrial processes have been advantaged by market mechanisms. This creates perverse responses that may in fact be worse for climate change. Actions to reduce HFC-23 and N₂O have created complications under the Clean Development Mechanism. These gases should not be included in any market mechanisms.

Based on an example, or examples, of a specific approach or approaches, explain the following:

(i) How does the approach fit the description of a non-market-based approach under the UNFCCC?

- As indicated above, LDC Group believes that there is a broad spectrum of non-market-based approaches that fit within the definition.

(ii) How does the non-market-based approach “enhance the cost-effectiveness of, and promote, mitigation actions, bearing in mind different circumstances of developed and developing countries”, as set out in the mandate to elaborate a framework for various approaches.

- The LDC Group believes that non-market based approaches can be more effective than market based approaches in promoting mitigation actions. For instance, the removal of fossil fuel subsidies could make a dramatic impact on the viability of renewable energy and energy efficiency technologies leading to substantial greenhouse gas emission reductions. As indicated above, some developing countries, particularly LDCs would need support to eliminate fossil fuel subsidies due to poverty reduction imperatives.

iii) What are the benefits of using the non-market-based approach instead of a market-based approach?

- Non market based approaches are likely to have a more universal uptake due to the fact that they are not dependent on the market to determine their selections. This will lead to greater geographical balance in the take up of mitigation technologies. There are fewer problems with leakage, permanence, and fraud as the approaches are driven by climate change outcomes rather than market interests.

(iv) Is there any other process to address the non-market-based approach within the UNFCCC or elsewhere? If not, should the UNFCCC take action in this regard?

- The LDC Group believes that non-market-based approaches should be incorporated within the framework of various approaches. The outcomes of this process should feed in to the 2015 legally binding agreement. Therefore, we believe that non-market-based approaches should be an integral part of the 2015 legally binding agreement. The concept is not new. There has been considerable discussion of this issue in the AWGLCA. Most NAMAs would fit within this category. Oversight of NAMAs through the establishment of a registry is an important first step. A clearing house

mechanism should be established as a means of promoting non-market-based approaches. The UNFCCC can also create various measures through the Green Climate Fund to promote non-market-based approaches. Furthermore, the COP can provide encouragement to various institutions to reduce fossil fuel subsidies. The COP could maintain a “score card” of fossil fuel subsidies and actions to reduce these subsidies.

(v) What are the potential means of implementation to facilitate the non-market based approach?

- The non-market-based approach should be implemented within the 2015 legally binding agreement. Many of the initiatives listed above can be facilitated through support and oversight from the UNFCCC and a new legally binding agreement. Linkages to the Green Climate Fund should also be established.

Overall, the LDC Group believes that non-market-based approaches have an important, if not central, role in global action to address climate change. To date, this issue has not received the attention it deserves. So, greater effort should be made to advance the role of non-market-based approaches.