

# **CHINA'S VIEWS ON THE FULFILLMENT OF THE BALI ACTION PLAN AND THE COMPONENTS OF THE AGREED OUTCOME TO BE ADOPTED BY THE CONFERENCE OF THE PARTIES AT ITS 15<sup>TH</sup> SESSION**

6<sup>th</sup> February 2009

China presents this document as a submission of views on the fulfillment of the Bali Action Plan and the components of the agreed outcome to be adopted by the Conference of the Parties at its Fifteenth Session, as requested by the UNFCCC Secretariat in the document ODES/COP14/09. China welcomes the opportunity to submit additional views on paragraph 1 of the Bali Action Plan in accordance with documents FCCC/AWGLCA/2008/8, paragraph 25 and FCCC/AWGLCA/2008/L.10, paragraph 2(a)

## **1. A shared vision for long-term cooperative action**

- a) The discussion on a shared vision for long-term cooperative action is an exchange of views or ideas about how to enable the full, effective and sustained implementation of the Convention, focusing on the means to implement long-term cooperative action under the framework of the Convention.
- b) A shared vision is for long-term cooperative action, such a vision shall be guided by the ultimate objective of the Convention, which consists of the following three aspects: to stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system; to adapt to the impacts of climate change; and to realize sustainable development. A shared vision for long-term cooperative action should be comprehensive and include mitigation, adaptation, finance, technology as well as sustainable development.
- c) A shared vision shall be guided by the principles of common but differentiated responsibilities and equity, which are established by the Convention to guide the international community in addressing climate change and shall be the essential guiding principles to carry out the shared vision for long term cooperation.
- d) Any long-term global goals shall be down-to-earth and based on the present situation. The most urgent requirement at present is to set a mid-term emission reduction target for developed country Parties, rather than a long-term global goal. Only with such a mid-term target being clearly determined, is it meaningful to talk about any long-term goals for emission reductions. All developed country Parties to the Convention shall commit to a reduction in GHG emissions by at least 25-40% below 1990 levels by 2020.
- e) The right to development is a basic human right that is undeprivable. For developing countries, development is not only a fundamental condition to address climate change, but also an important element to maintain peace and security of the world. The right to development of developing countries should be adequately and effectively respected and ensured in the process of global common efforts in fighting against climate change.

Developed country Parties shall continue to take the lead in reducing their GHG emissions so as to ensure adequate spaces for developing countries to achieve the goals of substantive development and eradication of poverty.

## **2. Enhanced national/international action on mitigation of climate change**

- a) According to Paragraph 1 (b) (i) of the BAP, all Annex I Parties, whether they are Parties to the Kyoto Protocol or not, shall commit to legally-binding quantified emission reduction targets. Emission reduction targets committed by developed country Parties to the Convention shall be comparable to targets committed by developed country Parties to the Kyoto Protocol.
- b) The national mitigation actions by developed countries in terms of quantified emission reductions and the progress of fulfilling their commitments shall both be measurable, reportable and verifiable. Similar arrangements shall be applied to the quantified emissions reduction commitments of developed countries under the Kyoto Protocol, with a more robust compliance system based on existing mechanisms to prevent non-compliance.
- c) Nationally appropriate mitigation actions by developing countries shall be country-driven, in conformity with the legitimate and prior needs of developing countries for sustained economic growth and eradication of poverty. The form of specific actions shall be subject to the determination of each developing country, taking into account its respective capacities and specific national circumstances.
- d) MRV requirements on nationally appropriate mitigation actions by developing countries are only applicable to the mitigation actions per se and shall be undertaken by their national entities in accordance with their national circumstances and practices. Provision of support in terms of technology transfer, financing and capacity building by developed country Parties to developing countries shall be measured, reported and verified in a proper manner.
- e) All related negotiations and conclusions on nationally appropriate mitigation actions by developing countries shall strictly follow the mandate of the AWG-LCA under the Bali Action Plan, focusing on enabling the full, effective and sustained implementation of the Convention.
- f) According to Paragraph 1 (b) (iv) of the Bali Action Plan and Article 4, paragraph 1(c), of the Convention, cooperative sectoral approaches and sector-specific actions shall strictly focus on enhanced cooperation between Parties at sectoral levels for the purpose of promoting development, deployment, diffusion and transfer of GHG emissions control technologies, practices and processes.

## **3. Enhanced action on adaptation**

- a) With regard to National Planning for Adaptation:

- i. Prepare National Adaptation Programmes of Action (NAPAs) in all developing countries:
    - o Assess the vulnerability to current climate variability, extreme events and future climate change;
    - o Assess adaptation cost and identify key adaptation measures;
    - o Identify priority activities/projects intended to address urgent and immediate adaptation needs of developing country Parties.
  - ii. Integrate climate change considerations into their relevant social, economic and environmental policies and actions.
- b) With regard to Streamlining and Scaling up Financial and Technological Support:
- i. The developed country Parties shall fulfill their commitments as stipulated in Article 4.3, 4.4, 4.5, 4.8, and 4.9 under the Convention to provide new, additional, adequate, and predictable resources for the implementation of adaptation;
  - ii. Establish Adaptation Fund under the Convention. Annex I Parties shall provide necessary financial resources, including assessed contributions. The fund shall be used to support and enable developing country Parties to:
    - o Prepare NAPAs;
    - o Integrate adaptation actions into sectoral and national planning;
    - o Improve the assessment on vulnerability and adaptation, including assessment of adaptation cost;
    - o Implement urgent adaptation actions;
    - o Implement adaptation projects and programmes;
    - o Implement risk management and risk reduction strategies;
    - o Build climate resilience through economic diversification;
    - o Exchange information;
    - o Promote education, training and public awareness related to climate change;
    - o Enhance capacity building, including institutional capacity, for preventive measures, planning, preparedness of disasters relating to climate change;
    - o Have access to adaptation technologies, develop and enhance endogenous capacities and technologies;
- c) With regard to Enhancing Knowledge Sharing:
- i. Support public information and awareness;

- ii. Establish and maintain databases on adaptation related information;
  - iii. Prepare and disseminate compilations and syntheses of best practices for adaptation;
  - iv. Strengthen information Networks.
- d) With regard to Institutional Framework of Action:
- i. Establish “Regional Adaptation Network Centers” in Asian, African, Pacific, South American regions for capacity building and knowledge sharing, etc. The centers shall:
    - o Provide research, training, education as well as scientific and technical support in specialized fields of climate change;
    - o Enhance capacity, including institutional capacity, to integrate adaptation into sustainable development programmes;
    - o Coordinate and disseminate information on best practices and technology transfer;
    - o Support pilot or demonstration projects;
    - o Support capacity building, including institutional capacity, on preventive measures, planning, preparation of disasters related to climate change;
    - o Strengthen early-warning systems for extreme weather and/or climate events.
  - ii. Establish “Adaptation Committee” under the Convention to enhance adaptation actions. The committee shall provide guidance for enhancing adaptation, planning, capacity building, information sharing, monitoring and evaluating adaptation actions.

#### **4. Enhanced action on technology development and transfer**

- a) A subsidiary body under the Convention shall be established by the COP;
  - i. Organizational framework. The Subsidiary Body for Development and Transfer of Technologies shall be an operational and implementing body. It consists of a strategic planning committee and several panels on (1) technology needs assessment and information; (2) dialogue and coordination for enabling policy and measures, intelligent property management; (3) management of financial resources targeting at development, transfer, and deployment (D&T&D) of environmentally sound technologies (ESTs); (4) capacity building; and (5) monitoring and assessment of performance.
  - ii. Functions.
    - o Provide advice, guidance and recommendations;

- Coordinate actions by different international stakeholders and governments' policies;
  - Guide and supervise utilization of special TT fund based on public finance;
  - Promote communication and info/knowledge sharing; and
  - Monitor and assess the performance and progresses.
- iii. Governance: member distribution and decision-making process. The Subsidiary Body for Technology is open to all the Parties. Members of corresponding committee and panels shall be determined by the COP. Decisions shall be made by consensus.
- b) Performance assessment and monitoring. The performance assessment and monitoring should touch upon the ultimate effectiveness of real development and transfer of ESTs and provide for a data/information and technical basis on which the support from developed countries is measured, reported, and verified. The speed, range, scale, and barriers of technological flows from developed to developing countries shall be regularly monitored and assessed. A set of indicators, data base, steps and modalities shall be developed to implement monitoring and assessment. The results of monitoring and assessment shall be fully used for planning and further decisions;
- c) Financial mechanism. The basic idea of the financial mechanism supporting D&T&D of ESTs is to develop public private partnership by linking public finance with carbon market, capital market and technology market and, leveraging larger amount of private finance by smaller amount of public finance. A Multilateral Technology Acquisition Fund (MTAF) shall be established with sources mainly from public finance from developed countries. The sources for the MTAF may be from parts of the regular fiscal budget for R&D, fiscal revenues from taxation on carbon transaction and/or auction of emission permit in carbon market, as well as fiscal revenues from energy or environmental taxation. Significant amount of fund from the above mentioned potential sources should be made available for the MTAF annually specifically for development and transfer of ESTs into developing countries in a timely manner. The MTAF shall be used as a catalyst to provide stakeholders with incentives to implement D&T&D of ESTs by means of proper policy instruments, financial instruments/products and investments;
- i. The policy instruments, among others, may include:
  - Subsidies in R&D for invention and demonstration of identified ESTs in prioritized areas;
  - Insurance to curb risks of investment in D&T&D of new ESTs;
  - loan guarantee or subsidies for exporting and diffusing ESTs;

- Direct investment in D&T&D of ESTs as share holder in normal forms or via venture capital investment;
  - Investment in financial products related to D&T&D of ESTs by holding stocks, bonds and other potential financial products;
  - Investment in infrastructures like information, transaction platform, monitoring and enforcement system;
  - Expenses on capacity building in developing countries with development of human resources as a priority;
  - Purchases of ESTs by governments;
  - Permits, compulsory licensing for patented ESTs, etc.; and
  - Others.
- ii. Incremental costs for D&T&D of ESTs in developing countries shall be compensated by appropriate policy instruments as mentioned above. Agreements shall be reached on methodologies to determine baseline cost of technological change in specific sectors and technological areas, against which incremental costs are estimated;

Full costs of such activities as capacity building, technology need assessment, information service, construction of policy infrastructure, among others, shall be covered by the proposed financial mechanism. Capacity building related to development and transfer of ESTs may concentrate more on institutional development focusing on capacity enhancement of implementation and enforcement of policies and human resources development by conducting international training and exchange scheme for trainees from developing countries.

- d) With regard to Intellectual Property Rights. The existing IPR system does not match the increasing needs for accelerating D&T&D of ESTs to meet challenges of climate change. Compulsory licensing related patented ESTs and specific legal and regulatory arrangement to curb negative effects of monopoly powers shall be put in place as part of the efforts to implement the UNFCCC. An innovative IPR sharing arrangement shall be developed for joint development of ESTs. Specific measures, steps and modalities should be developed in order to make ESTs developed by public finance in developed countries remain in public domain and available, affordable and transferable to developing countries on preferential terms.
- e) With regard to Cooperative Sectoral Approaches and Sector-Specific Actions. Cooperative sectoral approaches and sector-specific actions shall enhance the implementation of Article 4, paragraph 1 (c), of the Convention. To this end, priority areas shall be identified sector by sector and technology by technology. Most climate sensitive sectors, including GHG-intensive and climate-vulnerable sectors

shall be fully considered for D&T&D of ESTs. A list of major ESTs needs shall be assessed on a regular basis with analysis of reliability, costs, penetration range, sectoral shares of market production capacity and market obstacles. Measures shall be taken to overcome obstacles of D&T&D in specific sectoral context.

#### **5. Enhanced action on the provision of financial resources and investment**

- a) China fully supports the establishment of a Financial Mechanism for Meeting Financial Commitments under the Convention, proposed by the Philippines on behalf of G77 and China, for the operationalisation of an effective financial mechanism under the COP.
- b) Developed country Parties shall take substantive action to provide financial resources from their public finance on a grant basis to developing country Parties, in accordance with Article 4.3, 4.4, 4.5, 4.8, 4.9 and Article 11 of the Convention.
- c) The financial resources provided by developed country Parties shall be new, additional, adequate, predictable and sustainable. The funding scale shall be at the level of a certain percentage, e.g. 0.5%-1%, of their annual GNP in addition to the existing ODA.
- d) The developed country Parties shall fulfill their financial commitments under the Convention in a measurable, reportable and verifiable manner; any funds pledged outside the UNFCCC shall not be regarded as the fulfillment of commitments by developed country Parties for the implementation of Article 4.3 of the Convention and the Bali Action Plan.
- e) The funding is used to enhance actions on adaptation, mitigation and technology development and transfer, as well as related capacity building. For this purpose, it is suggested that the institutional arrangement be composed of the Convention Adaptation Fund, the Mitigation Fund and the Multilateral Technology Acquisition Fund. Innovative financial instruments, e.g. Venture Capital Fund and Climate Insurance Fund, could be developed and integrated into the financial mechanism, for addressing risks associated with climate change.
- f) The governance of the financial mechanism shall be under the authority and guidance of the COP with equitable and balanced representation of all Parties in a transparent and efficient manner. The funds under the financial mechanism shall be managed with easy accessibility and low administrative cost. The financial mechanism shall be operated by a Board accountable to the COP, with the support of a Secretariat, a Scientific Advisory Panel, a Monitoring and Evaluation Panel, and a Trustee or Trustees.
- g) The financial mechanism shall facilitate linkages between various funding sources and separate funds in order to promote access to a variety of available funding sources and reduce fragmentation. Modality/ies of determining the role of existing funds and entity/ies for the operation of the mechanism shall be developed.

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