

# CHINA'S SUBMISSION ON ELEMENTS TO BE INCLUDED IN THE DRAFT NEGOTIATING TEXT OF LCA

24<sup>th</sup> April 2009

China welcomes the opportunity to submit additional views on paragraph 1 of the Bali Action Plan in accordance with document FCCC/AWGLCA/2008/17, paragraph 26 (b) and submits the following as elements to be included in the negotiating text:

## **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 and the four building blocks of the Bali Action Plan, namely, mitigation, adaptation, technology development and transfer and financing.
- 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 ensure sustainable development.
- c) A shared vision for long-term cooperative action shall be comprehensive and include mitigation, adaptation, finance, technology as well as sustainable development.
- d) 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.
- e) Discussions on a long-term global goal of emission reductions under the shared vision shall focus on how to ensure and enable the implementation of mitigation and adaptation actions. The most urgent requirement at present is to set the mid-term emission reduction target for developed country Parties, rather than a general long-term global goal. Only with such 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 reduce their GHG emissions by at least 40% below 1990 levels by 2020.
- f) The right to development is a basic human right that is undeprivable. Economic and social development and poverty eradication are the first and overriding priorities of the developing countries. The right to development of developing countries shall be adequately and effectively respected and ensured in the process of global common efforts in fighting against climate change. Developed country Parties shall have deeper

cuts on their GHG emissions so as to ensure adequate spaces for developing countries to achieve their goals of substantive development and eradication of poverty.

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

RE 1(b) (i) of the Bali Action Plan:

- a) Developed country Parties shall undertake deeper cuts in their GHG emissions to reflect their historical responsibility and current science, and to allow developing countries development space.
- b) Given historical responsibility, equity and development stage, the Annex I Parties as a group shall reduce their GHG emissions by at least 40% below 1990 levels by 2020.
- c) Each developed country shall undertake individual quantified emission reduction target, and each developed country shall adopt effective policies and take concrete actions to achieve the target.
- d) The commitments by developed country Parties shall be comparable, in particular in terms of emission reduction targets, which include:
  - Comparability of commitments: must reflect in relevant policies, measures, actions and targets;
  - Comparability of targets: shall be same in nature - quantified and legally-binding
  - Comparability of targets: shall be approximate in magnitude
  - Comparability of targets: shall also have the same procedures for compliance and monitoring like those under the *Kyoto Protocol*
- e) The commitments and targets by developed countries shall be measurable, reportable and verifiable (MRV):
  - MRV shall be applicable to all relevant polices, measures and actions
  - MRV shall to applicable to progress and effect of implementation of commitments and targets
  - The MRV procedures and methods shall be based on:
    - National GHG emissions inventory
    - National communication
    - Relevant *Kyoto Protocol* procedures

RE 1(b) (ii) of the Bali Action Plan:

- f) Nationally appropriate mitigation actions by developing countries in para 1(b)(ii) of BAP 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.

- g) Nationally appropriate mitigation actions by developing countries in the BAP shall be supported and enabled by technology, financing and capacity building from developed countries. Such support shall be new, additional, adequate, predictable and sustained. Relevant supporting mechanism shall also be developed as channels for providing technology, financing and capacity building support for nationally appropriate mitigation actions by developing countries.
- h) MRV on nationally appropriate mitigation actions by developing countries is only applicable to the mitigation actions per se and shall be undertaken by their national entities under the guidance of UNFCCC 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 measurable, reportable and verifiable in a proper manner.
- i) The emission reduction credits generated from nationally appropriate mitigation actions under 1(b)(ii) shall not be used by developed country parties to offset their quantified emission reduction targets

RE 1(b) (iv) of the Bali Action Plan:

- j) 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.

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

A comprehensive adaptation framework shall be established for enhanced actions on adaptation and its means of implementation, including finance, technology and capacity-building, now, up to and beyond 2012. The elements of a comprehensive adaptation framework shall include:

- a) Objectives and principles

Objectives

- To enhance implementation of all stages of adaptation and promote climate resilient development of all developing countries, which are vulnerable to the adverse effects of climate change, especially the least developed countries and small island developing States, and further taking into account the needs of countries in Africa affected by drought, desertification and floods, through enhanced action on

adaptation identified in the Bali Action Plan paragraph 1(c);

- To provide adequate, predictable and timely flow of new and additional financial resources and deployment, diffusion and transfer of technology to support urgent and immediate adaptation activities and programmes in all developing countries, in particular the most vulnerable communities and population.

#### Principles

- Strictly guided by the principles of common but differentiated responsibilities and equity;
- The financial and technology support are commitment of developed country Parties under UNFCCC
- Financial resources for adaptation shall be adequate, predictable, stable and timely financing at full-cost and grant based;
- Financial resources additional to ODA
- Support developing countries to have access to means of implementation including finance, technology, capacity building, and knowledge sharing for adaptation at different levels;
- Cover full costs for adaptation technology and for stand-alone adaptation projects.

#### b) Institutional Mechanism

- Establish a Subsidiary Body under the Convention, with a majority of members from developing countries, to enhance urgent action for adaptation, focusing on the provision of financial resource and technical support to enable and support developing countries' adaptation actions.
- The functions of the Subsidiary Body include, but not limited to, provisions of technical advice, assessing adaptation financing, adaptation planning, enhancing technology development and transfer, coordination and enabling implementation of activities of international actions on adaptation, monitoring and evaluation.
- Regional centers in developing countries shall be strengthened or established, if appropriate, to facilitate the implementation of adaptation, capacity building, knowledge sharing, technology development, diffusion and transfer;

#### c) Means of Implementation

- Means shall be provided, on a continuous basis, to enable, support and enhance national capacity to incorporate adaptation in planning and designing adaptation activities; and
- Coherence shall be maintained in funding adaptation through the Convention, and outside the financial mechanism of the Convention, in accordance with the guidance provided by the COP;

- Establishment of an “Adaptation Fund” within the framework of the G-77 and China’s proposed Financial Mechanism for Meeting Financial Commitments under the Convention, based on assessed contributions from Annex I countries and other possible sources of financial.
- “Adaptation Fund” must ensure sufficient financial resources for all developing countries to:
  - Enhance capacity building, including data collection, climate scenarios, assessment on vulnerability and adaptation, including assessment of adaptation cost; Promote education, training and public awareness related to climate change;
  - Cover full cost for preparation of national adaptation action plans, Identify priority activities/projects intended to address urgent and immediate adaptation needs, and incorporation adaptation considerations into sectoral and national development planning;
  - Implement adaptation actions, projects and programmes, in particular those urgent ones;
  - Implement risk management and risk reduction strategies, including establishment of the early warning system;
  - Build climate resilience through economic diversification;
  - Enhance institutional capacity, for preventive measures, planning, preparedness of disasters relating to climate change;
  - Access to adaptation technologies, promote research, development and diffusion of adaptation technologies, taking into account sector specific adaptation technologies; develop and enhance endogenous capacities for technologies; have adequacy of funds for accessing transferred technology.

d) Implementation

- The following categories of activities in developing countries shall be enabled and supported;
  - Enabling activities, inter alia,
    - i. Climate change risk, vulnerability and adaptation assessment
    - ii. National, sub-national, sectoral adaptation planning
    - iii. Incorporation of adaptation into sectoral and national planning
    - iv. Capacity building, including institution capacity
    - v. Knowledge sharing
  - Implementation of short-, medium- and long-term adaptation actions, projects and programmes
  - Implementation of risk management and risk reduction strategy

- Development, transfer and diffusion of adaptation technology for monitoring, forecasting of extreme climate events and modelling of climate change, for early warning of extreme climate events, for improving the resilience to the impacts of extreme climate events and climate change
  - Economic diversification in response to the adverse impacts of climate change
- e) Monitoring and evaluation
- Monitor and record the financial resources provided by developed country Parties
  - Monitor technology transferred to developing countries
  - Monitor the utilization of financial resources and evaluate the effectiveness of implementation of adaptation actions, projects and programmes;
  - Evaluate the sufficiency of financial and technology support to developing countries

## 5. **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) clearing house for technology information and transaction management; (3) dialogue and coordination for enabling policy and measures, intelligent property management; (4) management of financial resources targeting at development, transfer, and deployment (D&T&D) of environmentally sound technologies (ESTs); (5) capacity building; and (6) monitoring and assessment of performance.
  - ii. Functions.
    - 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) Technology needs assessment and development action plans for development and transfer of ESTs.

- i. Action plan to speed up and enlarge development and transfer of ESTs should be developed with clear objective and means of assistance from developed countries.
- c) Performance assessment and monitoring. The speed, range, scale, and barriers of technological flows from developed to developing countries shall be the major dimension to develop assessment indicator and 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;
- d) 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 shall 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:
    - o Subsidies in R&D for invention and demonstration of identified ESTs in prioritized areas;
    - o Insurance to curb risks of investment in D&T&D of new ESTs;
    - o loan guarantee or subsidies for exporting and diffusing ESTs;
    - o Direct investment in D&T&D of ESTs as share holder in normal forms or via venture capital investment;
    - o Investment in financial products related to D&T&D of ESTs by holding stocks, bonds and other potential financial products;
    - o Investment in infrastructures like information, transaction platform, monitoring and enforcement system;
    - o Expenses on capacity building in developing countries with development of human resources as a priority;
    - o Purchases of ESTs by governments;

- o Permits, compulsory licensing for patented ESTs, etc.; and
  - o Others.
- ii. Incremental costs for deployment and diffusion 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 R&D and demonstration of ESTs, 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.
- e) 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. Specific measures should be taken to overcome barriers of D&T&T related to IPR issues.

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

Institutional arrangement shall be established for the operationalization of an effective financial mechanism under the COP.

- a) Developed country Parties shall take substantive actions to secure adequate and predictable financial resources for the implementation of the Convention, in particular, Article 4.3, 4.4, 4.5, 4.8, 4.9 and Article 11 of the Convention.
- b) Developed country Parties shall make assessed contributions by a percentage of annual GDP, e.g. 0.5-1%, in addition to the existing ODA.
- c) 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.
- d) The funding is used to enhance actions on adaptation, mitigation and technology development and transfer, as well as related capacity building. The institutional arrangements shall include an Adaptation Fund, a Mitigation Fund, a Multilateral Technology Acquisition Fund and a Capacity Building Fund.
- e) 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) Developed country Parties shall take their full responsibilities under the UNFCCC in providing sufficient public funding for climate change while using enormous financial resources to deal with financial crisis. Private sector approach and market-based mechanism can only play a complementary role in addressing climate change, given the fact that private players are profit-driven and market-based approach has its weakness in providing public goods.

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