ESTADO PLURINACIONAL DE BOLIVIA

Submission by the Plurinational State of Bolivia

Establishment of one or more market-based mechanisms to enhance the cost-effectiveness of, and to promote, mitigation actions

The Plurinational State of Bolivia presents its views on the establishment of one or more market-based mechanisms to enhance the cost-effectiveness of, and to promote, mitigation actions, as referred to in document FCCC/AWGLCA/2010/L.7, paragraph 81. The views expressed in this and other written and verbal communications by Bolivia shall not be regarded as implying acceptance of certain outcomes of the UN Climate Change Convention in Cancun, which were declared as adopted over the formal, explicit and express objection by Bolivia on the basis, among other things, that they pave the way to: end the Kyoto Protocol; replace it with a more lax voluntary pledge and review approach without specifying the commitments of developed countries; anchor inadequate emission reductions by Annex I Parties of the Convention, which if based on the Copenhagen accord are estimated to result in emission reductions of between 13-17% from 1990 levels; realize levels of global warming of up to 4 degrees Celsius, which is unacceptable to humanity and nature[1]; and prefigure new market mechanisms which enable developed countries to further transfer their responsibilities to developing countries, allowing developed countries to continue utilising and creating market mechanisms outside of the Kyoto Protocol. Bolivia views this violation of consensus as a dangerous precedent for the multilateral system and the rule of law and will seek to defend the rights of Bolivia and ensure that rules and procedures apply equally and fairly to all States, large and small.

1. The issue of new market mechanisms is one of the critical elements why Bolivia rejected the draft Decision of Cancun. Bolivia did express its clear opposition to the establishment of new market mechanisms under the Convention at all times. In none of the contact groups there was a clear negotiation, much less even an acceptance, of these issues. Nevertheless the final draft decision makes it appeared as if this kind of agreement had been reached.

2. Bolivia attains itself to the Bali Action Plan, which looks for "Various approaches, including opportunities for using markets, to enhance the cost-effectiveness of, and to promote, mitigation actions, bearing in mind different circumstances of developed and developing countries."In the understanding of Bolivia, this means we have to look for all kind of different approaches that enhance cost-effectiveness and promote mitigation actions. If market mechanisms are found not to be cost-effective, or not to enhance mitigation, then other various approaches must be implemented.

3. Bolivia proposes that we open studies and open discussions on both the cost-effectiveness of market mechanisms, in order to evaluate if those are really cost-effective and enhance real mitigation, so to be beneficial for the environment, and at the same time open the discussion on the future development of Mother Earth's rights.

Bolivia's views on the bullet points in article 80

4. *(a) Ensuring voluntary participation of Parties, supported by the promotion offair and equitable access for all Parties*;

   →As a definition, all participation in all kind of plans, mechanisms, etc, in any international setting,

[1] The recent 'emissions gap report' by UNEP (November 2010) states that developed countries' pledges under the Copenhagen accord are estimated to result in emissions of between +6 and -16 % of 1990 levels in 2020. It also states that the Copenhagen accord pledges imply a temperature increase of between 2.5 to 5ºC before the end of the century.

are always voluntary, and depend on national sovereignty.
→The main question is that no Party can be asked to subscribe a decision, much worse a legal outcome, that sets up a mechanism that it considers damaging for the planet Earth, and therefore damaging for its own national security, alleging that participation is voluntary.

5. *(b) Complementing other means of support for nationally appropriate mitigation actions by developing country Parties*;

   →According to article 4.7 of the convention ALL mitigation actions by developing countries must be financed by non-Annex I Parties. Therefore NAMAs must be by definition supported NAMAs. This financing commitment doesn't liberate developed countries from strong mitigation commitments at a domestic level. Unfortunately market mechanisms and specifically offsets imply that financial support for mitigation actions result in diminished mitigation in developed countries.

6. *(c) Stimulating mitigation across broad segments of the economy;*

   →Mitigation must indeed be stimulated in all sectors of the economy. But if this results in "sectorial crediting" or in "NAMA crediting[2]" it implies locking in the "business as usual" emissions, because all mitigation under thebusiness as usual baseline in developing countries will result in offsets, that is to say, in permits to keep on emitting for developed countries.

   While, if there is direct finance, as committed in art 4.7 of the convention, mitigation across broad segments of the economy is possible, without it resulting in higher domestic emissions in developed countries.

7. *(d) Safeguarding environmental integrity*;

   →Up till this moment, existing market mechanisms have demonstrated NOT to safeguard environmental integrity.
   - Domestic emissions in developed countries have increased, as is shown in report "National greenhouse gas inventory data for the period 1990-2008"
     - The most worrying factor is that non EIT - developed countries didn't reduce their domestic emissions, but increased their emissions by 7.9%. This implies that the price of carbon permits is far from being a factor that induces national reductions in those countries.
     - In EIT countries, total emissions did fall up till the year 2000, but from there on started increasing again. The amount of reduction in EIT between 1990 and 2000 -result of an economic crisis, and not of mitigation action- is now being translated in carbon credits, and giving the right to other economies to keep on emitting more, this is called "hot air".

   - Problems of additionality

     - Many CDM projects in developing countries would have happened anyway. E.g. hidro-electric plants that are anyway necessary for development.
     - The same would be applicable for sectorial crediting and NAMA crediting, because in any case developing countries also want to access new technology.
       Therefore, Bolivia calls for strong technological and financial support from developed countries towards developing countries, including the elimination of

[2] understood as "emission reduction credits which are made available on the market if a certain emission reduction threshold below projected emissions is reached"

patents on environmentally friendly technology, in order for developing countries to be able to produce as clean as possible, but without this resulting in offsetting.

- Locking in Business as Usual
  - Carbon credits are generated for all avoided emissions under a given baseline, which is based on a business as usual line. When those credits are used to allow emissions in other countries, it means that this business as usual line is applied to a different context in an other country.
- Promoting unenvironmentally friendly projects
  - Many of the CDM projects enhance projects that have severe environmental or social impacts. This threatens to get much worse with the possible inclusion of CCS and nuclear projects in CDM.
  - The fact that CDM finances projects to destroy HFC and NO2, is actually an incentive to have more of those industries, instead of facing them out.
- Prolonging use of fossil fuel based energy.
  - As many CDM projects are oriented to enhancing carbon-efficiency of fossil fuel based thermo-electrics, and even of coal based centrals, those projects, which without the project would have closed in shorter time because of its inefficiency, now have prolong significantly their life.

8. *(e) Ensuring a net decrease and/or avoidance of global greenhouse gas emissions;*

   →The principle of offsetting itself implies that a decrease in developing countries emissions will increase emissions in developed countries.
   The fact that baselines are based on "business as usual" projections implies that business as usual incrementing of global emissions is institutionalized.
   →Emissions trading between countries that have reduction commitments are totally vulnarated because of "hot air" issues.

9. *(f) Assisting developed country Parties to meet part of their mitigation targets,while ensuring that the use of such mechanism or mechanisms is supplemental to domestic mitigation efforts;*

   →Developed countries being the highest per capita emitters in the world, must reduce their domestic emissions, both in aggregate and in per capita levels.
   →It is very questionable that countries with high per capita emissions are less able to reduce their emissions then countries with low levels of per capita emissions. It is alleged that developed countries have higher carbon efficiency, and that it is therefore more costly to reduce these emissions.
   →The other side of the coin is that the only reason why countries with high carbon efficiency also have high per capita emissions is because of their tremendously higher consumption pattern. Those consumption patterns are unsustainable for the System of the Earth, and that have to be altered fundamentally. By "assisting developed countries parties to achieve their mitigation targets", in fact carbon trading is assisting in the maintenance of unsustainable consumption patterns.
   →If the world wants to move towards a more just and equitable sharing of wealth, access to natural recourses and development, then an increase in carbon efficiency in developing country parties should result in an increase in the well-being of their populations, and not in transferring the resulted mitigation in the possibility for high per capita emitters to maintain unsustainable consumption

patterns.

10. *(g) Ensuring good governance and robust market functioning and regulation*;

    →Up till this moment, there has been no proof that an invisible, philosophic kind of commodity can be traded in a secure manner.
    →The biggest carbon market up till this moment functions within the general framework of a group of countries and institutions that are known for being among the most robust and well governed in the world. Nevertheless, its carbon market institutions have been tormented by many problems, among which: double counting of CERs, theft, over-assignation of units, instability of carbon prices, speculation and high profits by some companies, etc.

Other fundamental problems with markets

11. The establishment of carbon markets responds to the idea of "cap and trade". Without a second commitment period of the Kyoto Protocol and without clear and ambitious commitments on emissions reductions by developed countries, the continuity of existing and even worse the establishment of new market mechanisms is impracticable.

12. Taking into account the damaging results of the existing 0,8 °C increase in global temperature, a 2°C increase is unacceptable. But even this target is far from being achieved with the existing Annex I pledges of 13-17% from 1990 levels, especially if it is taken into account that this reduction is in fact due to offsets, which represent the deviation of the business of usual of developing countries.

    In comparison with the 25-40% reduction of emissions by Annex I countries and independently the deviation of business of usual by developing countries of 15 to 30% that the 4AR of the IPCC sets as a minimum[3], it is clear that these pledges are insufficient. Stating that the reduction in Annex I countries can be achieved by offsetting from the reductions of business as usual thus goes totally against IPCCconclusions.

13. Actual, and seemingly even more so, future market mechanisms, permit that allowances are issued ex-ante so that they can eventually be sold immediately on the market, before actual emission reductions take place. This generates an effect of retarding systematically mitigation action, while scientist warn us over and again that early mitigation is an absolute must, and the later the reductions, the higher will be the costs and the steeper will have to be the future reductions.

14. Consistent reduction of GHG emissions will depend on consistent and prolonged policies that penalize in different ways the emissions of greenhouse gases. A policy that is based on very fluctuant prices, and where highly polluting companies have the option of buying cheap carbon credits, is not a consistent long-term policy.

15. The carbon markets generate huge profits for some, let many speculate with the invisible commodity that are the Carbon credits, and in the longer term create a financial bubble. When the carbon price collapses, credits can be bought at such a low price that polluting industries have no incentive at all to reduce emissions themselves.

16. The situation of our climate system already entered in a critical point, whereby all mitigation actions possible need to be effectuated. Developed countries must mitigate domestically. Developing

[3] These data come from a much criticized box 13.7, which excludes studies that demand a higher range, and since it publication climate change has accelerated at an unpredicted pace. Which indicates that higher commitments are necessary. Furthermore these numbers do not take into account equity issues.

countries should try to turn their development as green as possible, with the help of direct finance from Annex II countries, such as is committed in article 4.7 of the convention.

Conclusions

17. As a conclusion, the Plurinational State of Bolivia reiterates that any kind of carbon markets are unacceptable, because they are against the integrity of climate policy, and only worsen the actual climate crisis. As the climate crisis gets worse and worse, the lack of emission reductions by those historically and actually responsible for the climate crisis, is against the interest of humanity and thus also of Bolivia. Therefore, Bolivia insists in ensuring that ecological functions of Mother Earth will not be commodified in order to guarantee the rights of Nature.