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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

**AD HOC WORKING GROUP ON LONG-TERM COOPERATIVE ACTION
UNDER THE CONVENTION**

Sixth session

Bonn, 1–12 June 2009

Item 3 (a–e) of the provisional agenda

Enabling the full, effective and sustained implementation of the Convention through long-term cooperative action now, up to and beyond 2012, by addressing, inter alia:

A shared vision for long-term cooperative action

Enhanced national/international action on mitigation of climate change

Enhanced action on adaptation

Enhanced action on technology development and transfer to support action on mitigation and adaptation

Enhanced action on the provision of financial resources and investment to support action on mitigation and adaptation and technology cooperation

**Ideas and proposals on the elements contained in paragraph 1
of the Bali Action Plan**

Submissions from Parties

Addendum

1. In addition to the 78 submissions from 45 Parties contained in document FCCC/AWGLCA/2009/MISC.4 (Parts I and II) and Add.1, five further submissions from four Parties have been received.
2. As requested by the Ad Hoc Working Group on Long-term Cooperative Action under the Convention, these submissions have been posted on the UNFCCC website.¹ In accordance with the procedure for miscellaneous documents, they are attached and reproduced* in the language in which they were received and without formal editing. The secretariat will continue to post on the relevant web page the submissions received after the issuance of the present document.

¹ <http://unfccc.int/meetings/ad_hoc_working_groups/lca/items/4578.php>.

* These submissions have been electronically imported in order to make them available on electronic systems, including the World Wide Web. The secretariat has made every effort to ensure the correct reproduction of the texts as submitted.

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PAPER NO. 1: AUSTRALIA

Legal Architecture for a Post-2012 Outcome

Submission to the AWG-LCA and AWG-KP

This submission outlines Australia's views on elements of legal architecture for a post-2012 outcome. Australia welcomes the Chair's negotiating text¹ and provides supplementary proposals to ideas outlined in this text.

This submission builds on a series of prior Australian submissions on legal architecture.² To recall, in these submissions, Australia has outlined two potential legal models for a post-2012 outcome - a single new treaty under the Convention unifying commitments of all Parties (model A) or an amended Kyoto Protocol and new treaty under the Convention (model B). Under either model, Australia proposes mitigation commitments and actions be registered in National Schedules.

This submission seeks to elaborate the operation of National Schedules in the context of a single new instrument under the Convention (model A, attached). Australia notes that National Schedules could operate with or build upon architectural elements proposed by other Parties, such as low carbon development strategies, registries and coordinating mechanisms. We note that in the Chair's negotiating text these are presented as various options. In the attached text, Australia has highlighted potential linkages between National Schedules and these proposals.

National schedules can provide a flexible, coherent and durable vehicle to underpin mitigation commitments and actions for all Parties. The attached framework text outlines key features and operation of National Schedules as follows:

- All Parties would establish a National Schedule. A national, long-term emissions pathway as well as mitigation commitments and actions would be registered in a National Schedule.
- National Schedules would be appended to the overarching instrument and form an integral part of that instrument. Countries would put forward draft national schedules as part of the negotiation process. This would provide an opportunity for transparent assessment of the comparability of effort and comment on the draft schedules.
- National Schedules would recognise the diverse national circumstances, responsibilities and capabilities among Parties. A wide variety of nationally appropriate mitigation commitments and actions by all Parties could be registered in National Schedules.
- National Schedules would facilitate the ambitious mitigation efforts demanded by the science now and in the future. As Parties' circumstances and capabilities change, mitigation efforts could be enhanced to reflect these developments. Parties could update schedules to enhance registered commitments or actions.
- National Schedules provide an appropriate balance between flexibility and certainty. Parties require certainty to implement a range of policies and measures and flexibility to make changes to ensure ongoing effectiveness of these policies and measures. Schedules may be periodically updated. Registered actions could be modified or replaced, but the overall outcome would be maintained or enhanced.
- National Schedules could have a close relationship with architectural elements suggested by other Parties such as low carbon development strategies, registries and coordinating mechanisms.

¹ FCCC/AWGLCA/2009/8

² FCCC/AWGLCA/2008/Misc.5/Add.2 (Part I) , FCCC/KP/AWG/2009/MISC.6.Add.2 , FCCC/KP/AWG/2009/MISC.8.

- Low-Emission Development Strategies could complement and elaborate on the details of National Schedules. These Strategies could be an overarching strategic document to identify the comprehensive mix of nationally appropriate mitigation, low-carbon development and adaptation priorities, consistent with broader country-led development goals. Strategies could set out individual programs and activities designed to implement commitments and/or actions reflected in National Schedules, and could improve identification of support needs.
- Mitigation commitments or action supported with the assistance a coordinating mechanism or other avenues could be subsequently registered in National Schedules.

This submission does not attempt to outline a comprehensive treaty text. Additional provisions would be required to outline further content, processes and modalities for a comprehensive instrument. Australia intends to submit further proposals on architectural and policy issues during the negotiation process.

TITLE OF POST-2012 AGREEMENT

[Preamble]

The Parties to this Agreement,

Being Parties to the United Nations Framework Convention on Climate Change, hereinafter referred to as “the Convention”

In pursuit of the ultimate objective of the Convention as stated in its Article 2

Being guided by the principles of the Convention as outlined in its Article 3

Recalling the provisions of the Convention, in particular the commitments of all Parties in its Articles 4 and 12

Recalling also the Kyoto Protocol and the progress made under it, as well as the changes in many Parties’ circumstances since its adoption

Noting also the need to take account of future changes in the economic and social circumstances of Parties, as well as the constant evolution of scientific knowledge relating to climate change, its causes and effects

Recognising the need to further enhance the implementation of the Convention through long-term cooperative action and that deep cuts in global emissions will be required in order to achieve its ultimate objective

Pursuant to the mandate of decision 1/CMP.1 of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, relating to further commitments for Parties included in Annex I for the period beyond 2012, and the Bali Action Plan adopted by decision 1/CP.13 of the Conference of the Parties to the Convention at its thirteenth session

Have agreed as follows:

Article 1

DEFINITIONS

For the purposes of this Agreement, the definitions contained in Article 1 of the Convention shall apply. In addition:

[Provisions to be inserted...]

Article 2

OBJECTIVE

1. The objective of this Agreement is to achieve an environmentally sound response to climate change through effective implementation of the Convention, with a view to achieving its ultimate objective as provided in its Article 2, by:

(a) stabilising atmospheric greenhouse gases at 450 parts per million carbon dioxide-equivalent or lower, through unified long-term action that sets the world on a path to peak global emissions by [X] and then reduce global greenhouse gas emissions by [X] per cent by [X] on [X] levels; and

(b) galvanising greater attention and efforts towards adaptation at all levels to minimise the adverse impacts of climate change, to assist in building climate resilient communities and to enhance sustainable development.

Article 3

PRINCIPLES

1. In addition to the principles outlined in Article 3 of the Convention, the Parties shall be guided, inter alia, by the following:

(a) developed country Parties should take the lead in combating climate change and the adverse effects thereof;

(b) all Parties should contribute to the global effort to combat climate change, in accordance with their common but differentiated responsibilities and respective capabilities – a spectrum of effort is envisaged;

(c) all Parties should aim to undertake a similar level of effort to others at a similar level of development and with similar national circumstances;

(d) those Parties whose national circumstances reflect greater responsibility or capability should make a greater contribution to the global effort;

(e) those Parties whose national circumstances reflect the least capability should be prioritised for support in their efforts to mitigate climate change;

(f) those Parties whose national circumstances reflect the least capability and the most vulnerability to the adverse effects of climate change should be prioritised for support in their efforts to adapt to the adverse effects of climate change.

Article 4

NATIONAL SCHEDULES OF MITIGATION COMMITMENTS AND ACTIONS

1. Each Party shall:

(a) maintain a national schedule;

(b) meet and/or implement the nationally appropriate mitigation commitments and/or actions registered in their national schedule; and

(c) measure and report on the outcomes of the nationally appropriate mitigation commitments and/or actions registered in their national schedule, in accordance with the provisions set out in Article 20 (MRV).

2. Consistent with the principles outlined in Article 3 (Principles), and with a view to achieving the objective outlined in Article 2 (Objective), national schedules shall register for each Party:

(a) a national emissions pathway to 2050;

(b) nationally appropriate mitigation commitments and/or actions for the commitment period [20XX] to [20XX].

3. Nationally appropriate mitigation commitments and actions registered in national schedules shall have outcomes that are measurable, reportable and verifiable in quantitative terms, in accordance with the provisions set out in Article 20 (MRV), and may include, inter alia:

- (a) quantified emission limitation or reduction commitments in economy-wide or sectoral terms;
- (b) quantified emission limitation or reduction actions on an economy-wide or sectoral basis;
- (c) emissions intensity commitments or actions;
- (d) clean energy commitments or actions;
- (e) energy efficiency commitments or actions;
- (f) emissions thresholds aimed at protecting and enhancing sinks and reservoirs [*for example national forest emissions levels*];
- (g) other actions aimed at achieving quantified emission limitation or reduction outcomes;
- (h) [.....].

4. The following Parties shall, as a minimum, with a view to achieving the objective of this Agreement outlined in Article 2 (Objective) and consistent with the principles of this Agreement outlined in Article 3 (Principles), register in national schedules:

- (a) for all developed country Parties, an economy-wide quantified emission limitation or reduction commitment;
- (b) for developing country Parties whose national circumstances reflect greater responsibility or capability, nationally appropriate mitigation commitments and/or actions aimed at achieving substantial deviation from baselines.

5. Parties shall set out in their national schedule, for each nationally appropriate mitigation commitment and action, the following information:

- (a) a brief description, including whether it is a commitment or an action;
- (b) whether it is to be taken on an economy-wide basis, or, if not, the sector in which the commitment or action is to be taken;
- (c) the baseline or reference case for the commitment or action, against which the commitment or action shall be measured, reported and verified, in accordance with Article 20 (MRV);
- (d) an estimate of the emissions limitation or reduction outcomes expected from the commitment or action or an aggregation of commitments and/or actions;
- (e) whether the commitment or action is to be taken unilaterally and/or is enabled by previously agreed financial, technology and/or capacity-building support.

6. National schedules shall be annexed (in Annex A) to this Agreement and shall form an integral part thereof.

7. LDCs are invited to establish a national schedule for the commitment period [20XX] to [20XX] at their discretion.

[NOTE: Provisions to be inserted would clarify that nationally appropriate mitigation actions registered in Parties' National Schedules would not be subject to the compliance regime referred to in Article 21 (Compliance), except for the purpose of maintaining the integrity of the international carbon market and its mechanisms.]

Article 5

ENHANCEMENT OF COMMITMENTS AND ACTIONS IN NATIONAL SCHEDULES

1. During the commitment period [20XX] to [20XX], any Party may amend its national schedule to register additional nationally appropriate mitigation commitments or actions which enhance its overall mitigation outcome.
2. A Party shall submit to the Secretariat the text of any amendment proposed pursuant to paragraph 1 above. In accordance with paragraph 2 of Article 29, the Secretariat shall communicate the text of any such amendments to the Parties and signatories to the Convention six months prior to the meeting of the [Supreme Body] at which amendments are proposed for adoption.
3. Any Party may lodge an objection in writing to an amendment proposed pursuant to paragraph 1 above, on grounds that the proposed amendment does not enhance the overall mitigation outcome of the Party seeking to make the amendment, prior to the meeting of the [Supreme Body] at which amendments are proposed for adoption.
4. If no Party lodges with the Secretariat an objection in writing to an amendment proposed pursuant to paragraph 1 above prior to the meeting of the [Supreme Body] at which amendments are proposed for adoption, the procedures set out under paragraphs [X] and [X] of Article 29 (Amendment of Annex A during a commitment period - processes for verification of the information supporting proposed amendments) shall not apply. Such amendments shall be deemed adopted by the [Supreme Body] at the relevant meeting and shall be registered in the Party's national schedule.
4. If any Party lodges with the Secretariat in writing an objection to an amendment proposed pursuant to paragraph 1 above prior to the meeting of the [Supreme Body] at which amendments are proposed for adoption, the amendment shall be considered and adopted in accordance with Article 29 (Amendment of Annex A during a commitment period) in its entirety.

Article 6

MODIFICATION OF ACTIONS IN NATIONAL SCHEDULES

1. During the commitment period [20XX] to [20XX], a Party may amend its national schedule to modify or replace an existing action provided the overall mitigation outcome is maintained or enhanced by the modification or replacement.
2. Amendments to national schedules proposed pursuant to paragraph 1 above shall be considered and adopted in accordance with Article 29 (Amendment of Annex A during a commitment period).

[NOTE: Provisions to be inserted would limit modification, where necessary, for the purpose of maintaining the integrity of the international carbon market and its mechanisms.]

Article 7

LOW EMISSION DEVELOPMENT STRATEGY

[NOTE: A number of Parties have proposed that the concept of low carbon or low emission development strategies or plans be included in the post-2012 architecture. We envisage this concept could be included here. Provisions could be inserted to require Parties to prepare and provide such Strategies, and describe their function and relationship to the National Schedules described above, and a potential Facilitative Platform as identified below.]

Article 8

QUANTIFIED EMISSION LIMITATION OR REDUCTION COMMITMENTS

[NOTE: Provisions would be inserted to establish the parameters for calculating the assigned amount for each Party with an economy-wide or sectoral quantified emission limitation or reduction commitment registered in its National Schedule, and calculating emissions for the purpose of verification of those commitments. These provisions would establish a common form for such commitments, but could provide for Parties, in their National Schedules, to also represent their commitments against other (additional) forms, for example as absolute emissions, as a percentage against an alternative baseline, or as a reduction against multiple baselines.]

Article 9

JOINT FULFILMENT OF QUANTIFIED EMISSION LIMITATION OR REDUCTION COMMITMENTS

[NOTE: Provisions would be inserted to enable Parties with economy-wide quantified emission limitation or reduction commitments registered in their National Schedules to meet these commitments jointly, if they so chose, so as to accommodate the needs of regional economic integration organisations.]

Article 10

INTERNATIONAL AVIATION AND MARITIME TRANSPORT

[NOTE: Provisions would be inserted to address emissions from these sectors, including appropriate direction to develop separate sector-specific agreements, and to clarify the relationship of these to the National Schedules.]

Article 11

SPIILLOVER EFFECTS

[NOTE: If required, provisions could be inserted to establish principles on how Parties can best address spillover effects.]

Article 12

[EXISTING MARKET MECHANISMS]

[NOTE: Provisions to be inserted would incorporate the existing market mechanisms, with enhancements as appropriate, and would establish the relationship of nationally appropriate mitigation commitments registered in Parties' National Schedules to these mechanisms.]

Article 13

SECTORAL CREDITING MECHANISM

[NOTE: Provisions to be inserted would establish a sectoral crediting mechanism, in which a Party that had registered a sectoral no lose target in its National Schedule may participate. Provisions would outline additional requirements for the verification of the data and information underpinning a registered target, and approval of the target, for the purposes of access to this mechanism. Parties with economy-wide or sectoral quantified emissions limitation or reduction commitments registered in their National Schedules would be able to purchase and use the credits generated to fulfil those commitments.]

Article 14

FOREST CARBON MARKET MECHANISM

[NOTE: Provisions to be inserted would establish a forest carbon market mechanism, in which a Party that had registered a national forest emissions level in its National Schedule may participate. Provisions would outline additional requirements for the verification of the data and information underpinning a registered emissions level, and approval of the emissions level, for the purposes of access to this mechanism. Parties with economy-wide or sectoral quantified emissions limitation or reduction commitments registered in their National Schedules would be able to purchase and use the credits generated to fulfil those commitments.]

Article 15

CREDITING

[NOTE: Provisions to be inserted would provide for the issuance of credits and units under this Agreement to eligible Parties relative to the nationally appropriate mitigation commitments and actions registered in their National Schedules.]

Article 16

ADAPTATION

[NOTE: Provisions to be inserted would address adaptation, and elaborate on the relationship between adaptation and Low Emission Development Strategies, and a potential Facilitative Platform, including the potential use of Low Emission Development Strategies in identifying adaptation objectives, efforts and needs.]

Article 17

TECHNOLOGY COOPERATION

[NOTE: Provisions to be inserted would address technology cooperation, and elaborate on the relationship between technology cooperation and the National Schedules and Low Emission Development Strategies.]

Article 18

FINANCE

[NOTE: Provisions to be inserted would address financing, and elaborate on the relationship between financing and the National Schedules, Low Emission Development Strategies and a potential Facilitative Platform, including the potential use of Low Emission Development Strategies in identifying the provision of finance and financial support needs.]

Article 19

FACILITATIVE PLATFORM

[NOTE: A number of Parties have proposed that the concept of a matching, coordinating or facilitative platform be included in the post-2012 architecture. We envisage such a concept could be included here. Provisions could be inserted to describe the function of such a Platform and its relationship to the National Schedules and Low Emission Development Strategies.]

Article 20

MEASUREMENT, REPORTING AND VERIFICATION

[NOTE: Provisions to be inserted would capture the measurement, reporting and verification (MRV) requirements for the quantifiable nationally appropriate mitigation commitments and actions registered in Parties' National Schedules (and other information requirements as appropriate). The MRV system would be calibrated according to Parties' responsibilities and capabilities, and according to the types of commitments and actions registered (i.e. more stringent requirements would apply to commitments and actions enabled by support, or seeking to attract credits through the crediting mechanisms), and would be underpinned by the submission of regular national inventories.]

Article 21

COMPLIANCE

[NOTE: Provisions to be inserted would clarify that nationally appropriate mitigation actions registered in Parties' National Schedules would not be subject to the compliance regime (to be established), except for the purpose of maintaining the integrity of the international carbon market and its mechanisms.]

Article 22

REVIEW OF AGREEMENT

[NOTE: Provisions to be inserted would provide for the [Supreme Body] to initiate consideration of the adequacy and effectiveness of this Agreement, including its National Schedules, at a particular point in time.]

Article 23

MULTILATERAL CONSULTATIVE PROCESS

[NOTE: Provisions to be inserted.]

Article 24

BODIES CONSTITUTED UNDER THE AGREEMENT

[NOTE: Provision to be inserted would constitute relevant bodies under this Agreement, including those required to verify the quantitative outcomes of the nationally appropriate mitigation commitments and actions registered in Parties' National Schedules where appropriate, and provide for immunities for the members and alternates of these bodies.]

Article 25

INSTITUTIONAL ARRANGEMENTS

[NOTE: Provisions to be inserted.]

Article 26

DISPUTE SETTLEMENT PROCEDURE

[NOTE: Provisions to be inserted.]

Article 27

AMENDMENT TO AGREEMENT

[NOTE: Provisions to be inserted would establish a process for amendments to this Agreement.]

Article 28

ADOPTION AND AMENDMENT OF ANNEXES

[NOTE: Provisions to be inserted would establish a process for adoption of, and amendments to, the Annexes to this Agreement, except as outlined under Article 29.]

Article 29

AMENDMENT OF ANNEX A (NATIONAL SCHEDULES) DURING A COMMITMENT PERIOD

1. Annex A (National Schedules) may only be amended once every two years from the commencement of the commitment period.

2. A Party shall submit to the Secretariat the text of any amendment to Annex A proposed pursuant to Article 5 (Enhancement of commitments or actions in National Schedules) or Article 6 (Modification of actions in National Schedules). The Secretariat shall communicate a compilation of proposed amendments to the Parties and signatories to the Convention six months prior to the meeting of the [Supreme Body] at which amendments are proposed for adoption, indicating for each proposed amendment whether it is proposed pursuant to Article 5 or Article 6.

[NOTE: Provisions to be inserted would outline processes for verification of the information supporting proposed amendments and their registration in National Schedules.]

3. An amendment to Annex A that has been adopted in accordance with this Article, shall enter into force for all Parties to this Agreement six months after the date of the communication by the Depositary to such Parties of the adoption of the amendment to the annex, except for those Parties that have notified the Depositary, in writing, within that period of their non-acceptance of the amendment to the annex. The amendment to the annex shall enter into force for Parties which withdraw their notification of non-acceptance on the ninetieth day after the date on which withdrawal of such notification has been received by the Depositary.

Article 30

TRANSITIONAL ARRANGEMENTS

[NOTE: Provisions to be inserted.]

Article 31

RIGHT TO VOTE

[NOTE: Provisions to be inserted.]

Article 32

DEPOSITARY

[NOTE: Provisions to be inserted.]

Article 33

SIGNATURE AND RATIFICATION, ACCEPTANCE OR APPROVAL

[NOTE: Provisions to be inserted.]

Article 34

ENTRY INTO FORCE

[NOTE: Provisions to be inserted.]

Article 35

RESERVATIONS

[NOTE: Provisions to be inserted.]

Article 36

WITHDRAWAL

[NOTE: Provisions to be inserted.]

Article 37

AUTHENTIC TEXTS

[NOTE: Provisions to be inserted.]

**ANNEX A
NATIONAL SCHEDULES OF MITIGATION
COMMITMENTS AND ACTIONS**

[ALPHABETICAL LIST OF NATIONAL SCHEDULES OF PARTIES]

NATIONAL SCHEDULE FOR [NAME OF PARTY]

[to be filled in as per Article 4]

National pathway

Emissions pathway to 2050	
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Economy-wide nationally appropriate mitigation commitments and actions

Name/brief description of commitment or action	Baseline/ reference case	Emissions outcomes expected	Unilateral/supported
	<i>e.g. year, period, BAU, Mt CO₂e/unit, KW/h/unit, etc</i>	XXX	XXX

Sectoral nationally appropriate mitigation commitments and actions

Name/brief description of commitment or action	Baseline/reference case	Emissions outcomes expected	Unilateral/supported
	<i>e.g. year, period, BAU, Mt CO₂e/unit, KW/h/unit, etc</i>	XXX	XXX

ANNEX B

GREENHOUSE GASES AND SECTORS/SOURCE CATEGORIES

[NOTE: Greenhouse gases and sectors/source categories to be inserted.]

PAPER NO. 2A: NORWAY

The Norwegian Proposal on auctioning allowances issued under the Copenhagen Agreement

1. Norway has submitted a proposal for a new financial mechanism under the UNFCCC, where a certain amount of allowances issued under the Copenhagen Agreement should be auctioned at the international level to generate new additional funds for climate change actions (FCCC/AWGLCA/2008/MISC.2). Attached to this paper is a proposed legal text for the implementation of this mechanism in the Copenhagen Agreement.
2. The financial mechanism that will monetize emission allowances through auctioning should be established in the agreement itself. In addition there will be a need for the adaption of further principles, modalities, rules and guidelines for the proper functioning of this mechanism. The COP should adopt such measures at its [16th] session.
3. Ensuring adequate, predictable and sustainable financial resources is a crucial issue in the Copenhagen Agreement. Among other sources of funding, auctioning allowances has the potential of generating substantial stable and predictable funding for climate change actions in developing countries for years to come.
4. Auctioning allowances could be a source of revenue for different kinds of financial needs under the Convention. There are different approaches to, and probable sources of, funding actions in developing countries. Norway is interested in discussing with other Parties possible combinations of proposals which together could generate adequate predictable funding.
5. The proposed auctioning model is in particular designed to meet special needs for raising substantial resources for financing adaptation and capacity building. The UNFCCC paper on investment and financial flows indicated financial needs for adaptation in non-Annex I Countries to be in the range of USD 28-67 billion yearly. In a context where a price on carbon is inadequate, the proposal could also be a possible source of funding for meeting mitigation costs. Actions related to reduced emissions from deforestation and degradation in developing countries (REDD) could potentially receive support from funds raised by international auctioning. On further specification of these financial needs, we would like to make reference to our submission on the establishment of a three phased REDD mechanism where financial needs for each phase are indicated (FCCC/AWGLCA/MISC.4 Part I).
6. The total amount of allowances to be issued should be decided in the Copenhagen Agreement itself. An alternative to establishing the quantity to be internationally auctioned in the Agreement directly would be adoption of this quantity by the COP at a later stage. More time for adoption of the quantity to be auctioned could be preferable to allow for a process where developing countries' needs are specified more in detail.
7. The quantity to be auctioned, and thus the amount of revenue that could be generated, should be determined and updated in accordance with identified needs for assistance in developing countries. These needs should be identified more in detail through a process of preparing strategies for national low emission developments and strategies for national adaptation actions in these countries, taking into account the principle of common but differentiated responsibilities and respective capabilities.
8. The quantity to be auctioned should be decided before allowances are issued to Parties taking on quantified emission reduction commitments. Hence, international (as apart from domestic) auctioning of allowances generates funds independently of national annual budgetary decisions. A coordinated system for collection of fund raised domestically will thus be redundant. This will give a higher degree of predictability of fund raising than offered by traditional ODA contributions. International auctioning will not need any non-compliance mechanism in addition to those mechanisms ensuring compliance with Parties' emission reduction commitments.

9. The best way to ensure predictable funding through the auctioning mechanism is probably to determine a certain revenue requirement, in the sense that a number of allowances are auctioned until a predefined revenue requirement is met. There are, however, different options on how the amount auctioned could be determined to factor in short-time price fluctuations. The amount could be determined on the basis of a number of allowances, a fixed percent of the total amount or a predefined revenue requirement – or a combination of these methods, e.g. no more than x percentage and no less than y billion per year.
10. The Copenhagen Agreement should specify that countries taking on economy wide emission reduction targets would provide financial resources through the auctioning mechanism, and thus contribute to the fulfilment of financial obligations under the Convention. Holding back a share of allowances from distribution implies a cost for countries with emissions covered by international emission trading. In a combination with other sources of financing, e.g. contributory financing schemes, this cost could be taken into account when assessing overall financial contributions from different Parties.

Norwegian Financial Proposal on auction of allowances issued under the Copenhagen Agreement
(draft text)

1. A mechanism for financing climate change actions by monetizing emission allowances through auctioning is hereby established.
2. This financial mechanism implies that a certain proportion of the total number of emission allowances under the Copenhagen Agreement is held back and auctioned at the international level.
3. The auctioning will generate revenue that shall be used to assist developing countries in implementing climate change actions.
4. Revenue generated by this mechanism will contribute to the fulfillment of financial obligations under the Convention of those countries taking on quantified emission reduction commitments.
5. The scope of this mechanism is to provide financial resources for
 - a) Adaptation
 - b) REDD
 - c) Capacity building
6. The Conference of the Parties shall determine the quantity of allowances to be auctioned at its [.....] 16th [.....] session for the period [.....] to support each financial need referred to in paragraph 5 above.
7. In order to provide predictable funding, the method for determining the quantity to be auctioned may factor in price fluctuations in emission allowances. The quantity could be determined on the basis of a number of allowances, a fixed percentage of the total amount or a predefined revenue requirement – or a combination of these methods.
8. The Conference of the Parties shall adopt further principles, modalities, rules and guidelines for the functioning of this financial mechanism at its [16th] session, including adopting procedures for the determination of the quantity to be auctioned for subsequent periods.
9. This financial mechanism will gradually be phased out as developing country parties further enhance their unilateral implementation of climate change actions.

PAPER NO. 2B: NORWAY

The Norwegian proposal for a legal text on a mechanism for reducing emissions by sources and increasing removals by sinks in the forestry sector in developing countries (REDD-plus mechanism)

Norway submitted 30th April views on the architecture of a mechanism for reducing emissions from deforestation and forest degradation in developing countries, see FCCC/AWGLCA/2009/MISC.4 (Part I). Based on this submission we hereby submit a proposal for a *legal text* on a mechanism for reducing emissions by sources and increasing removals by sinks in the forestry sector in developing countries (REDD-plus mechanism) to be included in the Copenhagen Agreement, see the attachment to this note.

Here are some explanatory notes to the attached text proposal:

The proposal is based on the comprehension that the definition and the scope of the mechanism should have a focus on both emissions and removals from the whole forest sector. The scope should be flexible so as to provide for the successive inclusion of other land-use and land-use change categories and activities in order to cover the whole land use sector. Furthermore, the mechanism shall be phased out when developing countries agree to quantified emission targets for the land-use, land-use change and forestry sector. **(Paragraphs 1, 3, 8 and 9)**

The mechanism shall be implemented in three phases, beginning with national REDD-plus strategy development and core capacity building (phase 1). This phase is followed by the implementation of national REDD-plus policies and measures in combination with compensation for proxi-based results for emission reductions and removals from forest sector and other selected land-use and land-use change categories and activities (phase 2). Finally the mechanism evolves into a result-based compensation mechanism for fully measured, reported and verified emission reductions and removals from the whole forest sector and selected land-use and land-use change categories and activities (phase 3).

(Paragraph 2)

In order to achieve an effective and result-based REDD-plus mechanism, it is essential to establish a robust and reliable system for measurement, reporting and verification (MRV) of mitigation action and reduced emissions and enhanced removals. This system should be consistent with the overall approaches to MRV of nationally appropriate mitigation actions (NAMAs) by developing countries. Hence, safeguards on MRV are included throughout the entire process-cycle of the mechanism.

(Paragraphs 4d, 9, 11f, 12-15, 28a, 30b, 32, 35, 36c)

The REDD mechanism shall be based on the establishment of a funding mechanism, under which developed countries provide adequate, predictable and long-term financial resources. However, COP15 shall establish the general framework for the funding mechanism. The remaining requirements for funding of all phases should be decided by the COP, at its 16th session, including decisions on linkage to the carbon market.

(Paragraphs 5 and 6)

There are a number of principles to guide the mechanism, such as leakage prevention and permanence as well as the emphasis on sustainable development of REDD host countries, in addition to the principles set out in the Convention. Under the mechanism, participating countries commit to:

- ensuring the environmental integrity of the mechanism,
- preventing the conversion of natural forests to forest plantations,
- respecting the rights of indigenous peoples and ensuring the effective participation of stakeholders,
- taking precautionary measures to protect biological diversity and
- establishing domestic capacities, frameworks and institutions for measurement, reporting and verification of emission reductions and removals from the land use sector, as well as for general institutional development.

(Paragraph 11)

In part ‘H. Modalities and Procedures’, the framework for the process-cycle of the REDD-plus mechanism is established. General participation requirements for the mechanism are set up in paragraph 22. In addition, each of the three successive phases requires special criteria to be met by developing countries in order to be eligible for funding. For phase 2, and hence phase 3, these eligibility criteria include the implementation of consultations and co-operations with indigenous peoples and local communities concerned through their own representative institutions in accordance with international instruments, see paragraph 31b. The phrase “*international instruments*” is meant to include instruments such as the UN Declaration of the Rights of Indigenous Peoples and the ILO Declaration-169.

(Paragraphs 29, 31, 36)

For each of the three phases, defined activities and measures are to be elaborated, adopted and/or implemented by developing country Parties. These activities and measures increase in their stringency from phase 1 to phase 3. Phase 1 commensurates with the development of a national REDD-plus strategy, phase 2 with the implementation of this strategy. Phase 3 is based solely on result-based compensation for measured, reported and verified emissions reductions and removals from the whole forestry sector and other categories and activities. Funding is performance-based, starting with performance of REDD commitment (in phase 1 and 2) by institution building and development, and gradually transitioning to performance of emissions reductions and removals (based on proxies in phase 2, and based measured, reported and verified results in phase 3).

(Paragraphs 28, 30, 32-35)

The mechanism remains subject to the authority and guidance of the COP, which may establish a mandated body for this purpose. The COP shall further provide all necessary guidelines, rules, procedures, subject to – and supplementing - those set out in this proposal. Participating countries shall establish a designated national REDD authority.

(Paragraphs 24, 26, 27)

ANNEX - Proposed legal text from Norway

Framework for a mechanism for reducing emissions by sources and increasing removals by sinks in the forestry sector in developing countries (REDD-plus mechanism)

A. OBJECT AND PURPOSE

1. A mechanism for reducing anthropogenic emissions by sources and increasing removals by sinks in the forestry sector and other selected land-use and land-use change sectors in developing countries (REDD-plus mechanism) is hereby defined.
2. The REDD-plus mechanism shall be effective, result-based, flexible, dynamic and incentive driven. To achieve this, the mechanism shall be implemented in successive, gradually intensifying phases, beginning with national REDD-plus strategy development and core capacity building (phase 1), followed by the implementation of national REDD-plus policies and measures in combination with compensation for proxy-based results for emission reductions and removals from selected forest activities and land-use and land-use change categories (phase 2), and finally evolving into a result-based compensation mechanism for fully measured, reported and verified emission reductions and removals from the whole forestry sector and other selected land-use and land-use change sectors (phase 3).
3. The REDD-plus mechanism will gradually be phased out as developing country Parties commit to quantified emission targets for the land-use, land-use change and forestry sector.
4. The purpose of the REDD-plus mechanism is to assist developing country Parties in:
 - a. Contributing to the ultimate objective of the Convention by reducing their emissions by sources and increasing removals by sinks in the forestry sector, and other selected land-use and land-use change sectors;
 - b. Initiating efforts to embark on economy-wide low carbon development pathway, through economy-wide low carbon development plans;
 - c. Meeting their commitments under the Convention and related legal instruments;
 - d. Developing capacity and a reliable national framework for measurement, reporting and verification of emission reductions and removals from forestry sector and other selected land-use and land-use change sectors;
 - e. Achieving sustainable development; and
 - f. Conserving biological diversity.
5. The developed country Parties shall provide financial resources according to their obligations under the Convention. Under the REDD-plus mechanism, developed country Parties commit to adequate, predictable and long-term sustainable funding of activities for reducing emissions by sources and increasing removals by sinks in the forestry sector and other selected land-use and land-use change sectors in developing countries.
6. Funding shall be based on an appropriate and effective international funding mechanism. The Conference of the Parties shall, at its 15th session, establish such a funding mechanism. At its [16th] session, the Conference of the Parties shall supplement the relevant principles, modalities, rules and guidelines for funding of all phases, including decisions on linkage to the carbon-marked.

B. DEFINITIONS

7. For the purpose of this mechanism the following definitions, to be provided by the Subsidiary Body for Scientific and Technological Advice, shall apply:
 - a. "Forest" (as defined in 16/CMP.1)
 - b. "Afforestation" (as defined in 16/CMP.1)
 - c. "Reforestation" (as defined in 16/CMP.1)
 - d. "Deforestation" (as defined in 16/CMP)

- e. "Plantation"
- f. "Biological diversity"
- g. [...]

C. SCOPE

8. For the purposes of this mechanism, eligible activities and land use categories are those set forth in annex A and that started on or after [...].
9. The mechanism shall provide flexibility for including over time additional land-use and land-use change categories and activities on the basis of measurable, reportable and verifiable commitments and actions, including guidelines agreed by the COP.

D. PRINCIPLES AND GUIDELINES

10. Governance of and participation in the REDD-plus mechanism shall be in accordance with the provisions and principles of the Convention, in particular the principle of common but differentiated responsibilities and respective capabilities, and guided by the following:
 - a. Recalling Article 3.4 of the Convention, developing country Parties have a right to and should promote sustainable development.
 - b. The Parties should take measures to anticipate, prevent and minimize the risk of inter- and intra-national carbon leakage. The Parties should cooperate to address leakage.
 - c. The Parties should take precautionary measures to anticipate, prevent and minimize the risk of non-permanence. The Parties should cooperate to reduce the risk and consequences of non-permanence.
11. In their actions under the REDD-plus mechanism, the Parties shall:
 - a. Ensure the environmental integrity of the mechanism; especially global and national additionality of reduced emission and enhanced removals from the forestry sector and other selected land-use and land-use change sectors to any that would have occurred in the absence of the REDD-plus mechanism;
 - b. Ensure against the conversion of natural forests to forest plantations;
 - c. Ensure real, measurable and long-term benefits related to the reductions of emissions by sources and increasing removals by sinks from the forestry sector and other and other selected land-use and land-use change sectors;
 - d. Respect the rights of indigenous peoples and ensure the full and effective involvement of stakeholders, in particular indigenous peoples and local communities, in the design and implementation of all activities linked to this mechanism;
 - e. Take precautionary measures and establish safeguards to protect biological diversity in REDD-plus host countries; and
 - f. Establish and further develop measurable, reportable and verifiable nationally appropriate REDD-plus framework, institutions and capacities.

E. MEASUREMENT, REPORTING AND VERIFICATION (MRV)

12. The Conference of the Parties shall develop guidelines, principles, methodologies and mechanisms for measurement, reporting and verification (MRV) of emission reductions and removals from the forestry sector and other land-use and land-use change categories and activities, based on the most recent IPCC guidelines for GHG inventories, for adoption at [COP 17].
13. The REDD-plus framework shall be consistent with overall approaches to measurement, reporting and verification of nationally appropriate mitigation actions by developing country Parties under this Agreement and related agreements, recognizing the need for higher tier level of MRV for sectors linked to the carbon-market.

14. Emissions and removals shall be reported in a transparent, consistent, comparable, complete and accurate way.
15. Verification should build on review procedures and methodologies for Annex I Parties, including making use of the institutional function of the UNFCCC secretariat as host of the verification mechanism. The Conference of the Parties shall define rules and procedures for international verification of national GHG inventories, including a comprehensive and robust international expert review of inventories.

F. REFERENCE LEVELS

16. A global reference level for future emissions and removals from the forestry sector and other selected land-use and land-use change categories and activities from developing countries shall be established in order to avoid carbon leakage and to ensure the environmental integrity of the mechanism.
17. The methodology for the establishment of a global reference level shall:
 - a. Be robust and based on objective, measurable, and verifiable criteria; and
 - b. Ensure additionality both at the national and global level compared to business as usual scenarios.
18. In addition, individual country specific reference levels for developing country Parties shall be established. Such country specific reference levels shall be dynamic, adjustable over time and incentivize all developing countries to participate in the REDD-plus mechanism.
19. The methodology for the establishment of individual reference levels shall be robust and based on objective, measurable, and verifiable criteria, taking into account relevant national factors, such as:
 - a. Historic emissions and removal rates from the forestry sector;
 - b. Forest cover;
 - c. Expected future emission and removal trends;
 - d. Capacity for emissions reductions and removals based on, *inter alia*, GNP per capita;
 - e. Other country specific conditions and circumstances.
20. An expert body shall be mandated to propose individual reference levels. Any such proposal shall be subject to the approval by the concerned developing country Party before being submitted to the COP or a mandated body for final determination. The reference levels shall be updated at regular intervals.
21. The Conference of the Parties shall establish:
 - a. The global reference level, subject to the requirements set out in paragraphs 16 and 17 above; and
 - b. Guidelines, and supplement and expand methodologies and procedures for the establishment of individual reference levels in accordance with the principles defined in paragraphs 10 and 11 above, for adoption at [COP 17].

G. PARTICIPATION

22. A developing country Party is eligible to participate in the REDD-plus mechanism if:
 - a. It is a Party to the Convention; and
 - b. It is in compliance with its commitments under the Convention.
23. Subject to paragraphs 29, 31 and 36 below, the Conference of the Parties shall establish additional eligibility criteria for each phase, to be adopted at its [16th] session.
24. Parties participating in the REDD-plus mechanism shall designate a national authority for this purpose.

25. A Party that authorizes private and/or public entities to participate in REDD-plus activities shall remain responsible for the fulfillment of its obligations under the Convention and this Agreement. Participation of private and public entities is subject to whatever guidance may be provided by the Conference of the Parties or any mandated body.

H. MODALITIES AND PROCEDURES

26. The REDD-plus mechanism shall be subject to the authority and guidance of the Conference of the Parties and be supervised by a mandated body.
27. The Conference of the Parties shall elaborate modalities, rules and procedures for the REDD-plus mechanism, in particular for ensuring transparency, efficiency and accountability through independent auditing and verification of REDD-plus activities and the dispersal and expenditure of REDD-plus related compensation.
28. In phase 1, subject to the provisions of paragraph 29 below, a developing country Party, that meets the requirements set out in paragraph 22, will receive assistance to develop a national REDD-plus strategy, including, but not necessarily limited to:
- a. Policies and measures for the establishment of capacity and framework necessary for measuring, monitoring, analyzing, reporting and verifying emission reductions and removals from the forestry sector and other selected land-use, land-use change categories and activities as defined in Annex [B];
 - b. Initial institutional development to address the reductions of emissions and increase of removals from the forestry sector and other selected land-use, land-use change categories and activities as defined in Annex [B]; and
 - c. Identification of necessary adjustments in forest law and governance.
29. A developing country Party is eligible to participate in phase 1 activities, if it has demonstrated a national commitment to the REDD-plus mechanism in accordance with the principles defined in paragraphs 10 and 11 above.
30. In phase 2, subject to the provisions of paragraph 31 below, a developing country Party will receive additional financial resources to implement the national REDD-plus strategy defined in phase 1 by adopting policies and measures, such as:
- a. Development of a comprehensive REDD-plus legal framework, including, but not limited to, reform of land tenure with due regard to collective land rights, land use planning and forest governance, where necessary and appropriate, and of respective law enforcement capabilities;
 - b. Further development of MRV institutions and capacities; and
 - c. Development of a REDD-plus action plan within the framework of a national low carbon development strategy.
31. A developing country Party is eligible for funding under phase 2, if it has demonstrated commitment to implementing the REDD-plus strategy developed in phase 1, *inter alia*, by:
- a. Establishment and/or elaboration of transparent, rule-based forest governance; and
 - b. Implementation of inclusive, multi-stakeholder consultations and cooperation, including consultations and co-operations in good faith with the indigenous peoples and local communities concerned through their own representative institutions in accordance with international instruments.
 - c. Establishment of safeguards against the conversion of natural forests to forest plantations;
 - d. Establishment of safeguards to protect biological diversity;
32. Subject to the provisions of paragraph 34 below, such funding shall be granted on the basis of performances, including measurable, reportable and verifiable indicators for the implementation of policies and measures, as well as for institution and capacity building.

33. Subject to the provisions of paragraph 34 below, further funding may be granted on the basis of results derived from proxy data on reduced emissions and enhanced removals from the forestry sector, and other selected land-use, land-use change categories and activities defined in Annex C. Suitable proxy data are identified in Annex D. An expert body should be mandated to propose proxies and corresponding indicators for individual countries, to be finally determined by the COP or any body so mandated by the COP.
34. Where necessary, *ex ante* funding may be granted on the basis of spending plans and stated commitments, subject to *ex post* verification of delivery.
35. In phase 3, subject to the provisions of paragraph 36 below, a developing country Party shall be compensated for emission reductions and enhanced removals from the whole forestry sector and from other selected land-use, land-use change categories and activities as defined in Annex E, relative to the agreed country specific reference level for future emissions, provided that reductions in emissions and enhanced removals from land use activities are:
 - a. Measured, monitored, reported and verified; and
 - b. Additional to those achieved in previous phases.
36. A developing country Party is eligible for compensation under phase 3, if:
 - a. It remains in compliance with phase 1 and 2 eligibility criteria in accordance with paragraphs 29 and 31;
 - b. It can demonstrate that previously received compensation under the mechanism has been spent according to agreed guidelines for agreed purposes; and
 - c. It has implemented an operational national forest greenhouse gas inventory based on measured, reported and verified data according to agreed rules.
37. The third phase shall end individually for each developing country Party, unless a further decision is taken by the Conference of the Parties to extend it, when the Party commits to quantified emission reduction targets for the land use sector.

I. INSTITUTIONAL FRAMEWORK

38. The Conference of the Parties shall, at its 15th session, mandate an appropriate institutional body to ensure immediate efforts to implement the REDD-plus mechanism and define the relevant principles, rules and guidelines for the mandated body, to be adopted at its [16th] session.

Annex A –Categories and activities (potentially) covered by the REDD-plus mechanism

[...]

Annex B - Categories and activities for the purpose of phase 1 (paragraph 28)

[...]

Annex C - Categories and activities for the purpose of result-based funding in phase 2 (paragraph 33)

[...]

Annex D - Suitable proxy data for the purpose of result-based funding in phase 2, (paragraph 33)

[...]

Annex E - Categories and activities for the purpose of result-based funding in phase 3 (paragraph 35)

[...]

PAPER NO. 3: JAPAN

**Japan's submission for the AWG-KP and AWG-LCA
Emission trading and project-based mechanisms**

<General remarks>

- Flexibility mechanisms should be considered in line with discussions of commitments or actions by developed country Parties and actions by developing country Parties. In this regard, the consideration of flexibility mechanisms should be addressed both in the AWG-KP and AWG-LCA in a consistent manner.
- Flexibility mechanisms should continue to be placed as supplemental measures to achieve commitments of developed country Parties. In order to ensure comparability, commitments of developed country Parties should be set with the evaluation of adequacy of their domestic mitigation efforts separately from mitigation efforts using flexibility mechanisms.
- At the same time, one of the objectives of the clean development mechanism (CDM) should be to promote nationally appropriate mitigation actions by developing countries in a measurable, reportable and verifiable manner based on the Bali Action Plan. In light of the aspects of the CDM as a financial support to such mitigation actions by developing countries, this discussion should be held in consistency with the discussion related to finance in the AWG-LCA.
- In addition, flexibility mechanisms should fulfill such requirements as (1) providing incentives for the private sectors who participate in the projects, (2) improving predictability and efficiency of the examination processes, while maintaining environmental integrity and the reliability of credits.
- Please refer to Article 7 of the draft protocol which was submitted by the Government of Japan on April 24, that stipulates joint implementation (JI), the CDM and emissions trading in a single article (FCCC/KP/AWG/2009/MISC.8, FCCC/CP/2009/3).

<Views on specific proposals>

(Headings and numberings of each item correspond to the report of the AWG-KP7 (FCCC/KP/AWG/2009/5))

I(CDM)-A. Include other land use, land-use change and forestry activities

(general ideas)

- As forests created under afforestation/reforestation projects remove and store carbon for a long time, It is necessary to promote afforestation/reforestation CDM, whose projects have been registered.

I(CDM)-B. Include carbon dioxide capture and storage

I(CDM)-C. Include nuclear activities

II(JI)-B. Include nuclear activities

(general ideas)

- Flexibility mechanisms should be neutral to any available technologies for mitigation (technology-neutral). It is necessary to mobilize all the effective technologies available without excluding certain types of technologies. Actual use of those technologies should be left to the judgement of the market with consideration of their contribution to address climate change and technological feasibilities. Nuclear energy and carbon capture and storage (CCS) are vital technologies to achieve the long-term goal of reducing global GHGs at least by 50% by 2050. Diffusion of these technologies should be promoted by making them eligible to flexibility mechanisms. It is naturally necessary to ensure safety, reliability and environmental integrity of projects using these technologies in appropriate manners..

(Institutional elements to be considered)

- The COP or CMP decisions that define rules and modalities of flexibility mechanisms in the next

framework should indicate that flexibility mechanisms should be neutral to any technologies for mitigation, while ensuring credibility and safety of the project activities. It is not appropriate to stipulate such statement as “to refrain from using emission reduction units/certified emission reductions generated from nuclear facilities” in preambles of Decision 16/CP.7 and Decision 17/CP.7. It is rather appropriate to adopt COP or CMP decisions facilitating consideration of its technical aspect with a view to including CCS in a scope of the CDM, and processes to introduce CCS.

I(CDM)-D. Introduce sectoral crediting of emission reductions below a previously established [no-lose] target

(general ideas)

- This scheme may lower the reliability of credits, deteriorate environmental integrity and cause negative effects on international fairness within certain sectors, depending on eligible sectors (the term “sector” as used in this submission shall mean sector including subsectors) and plants/factories, baseline setting, means for measurement, reporting and verification of actual emissions, etc. Therefore, the design of sectoral crediting mechanisms (SCM) should be carefully examined so that these problems are properly addressed.
- By implementing additionality tests based on the predefined sectoral targets, environmental integrity should be ensured while maintaining transparency, efficiency and accountability of the credit issuance and certification processes. In order to ensure credibility of the scheme, rigid conditions should be fulfilled in such issues as data collection and monitoring in developing countries, capacities for management and allocation of credits, evaluation of adequacy of the level of targets, verification and certification etc.
- Capacity-building in accounting, data collection and management of emissions should be enhanced.

(Institutional elements to be considered)

(This scheme relates to the argument of what kind of mitigation actions should be required for developing countries, and there remain numerous problems to be solved. Nevertheless, if we assume that these problems are to be overcome and the proposed scheme is implemented, following points should be taken into account)

- Criteria for eligible countries and sectors for SCM need to be defined. Data for all the emission sources within eligible sectors should be available. Adequacy of targets should be rigidly evaluated in order to ensure environmental integrity. In this case, not only the improvement of efficiency by increase of production quantity, but the improvement of efficiency by introduction or renewal of energy-saving or environment-friendly facilities and by shut-down of inefficient plants/factories or equipments/facilities should be identified in a measurable, reportable and verifiable manner. Data for each plant/factory is required for power generation and manufacturing industry sectors. Key sectors in major developing countries (where sector-specific targets are set) should be potentially eligible for I(CDM)-D or I(CDM)-F in principle, but instead, these sectors should not be eligible for the current type of the CDM. Other countries and sectors can voluntarily use this scheme if required conditions are fulfilled, but in this case, the current type of the CDM cannot be used in those sectors.
- Targets should be expressed using emission intensity etc.
(Notes: By setting sectoral targets of emission intensity, we can avoid generating hot-air even at the time of depression. Emission intensity targets will not interfere with economic activities at the time of economic boom either; therefore, emission intensity is appropriate for targets of developing countries)
- Targets should be defined for each sector of each country. In addition, targets offered by host countries should be approved and reviewed and the results should be evaluated and verified in a process where stakeholders including private sectors are involved.
(Notes: Unlike the current type of the CDM, additionality tests will be implemented based on nationally appropriate targets. Therefore, baseline methodologies approved by the CDM

Executive Board are not necessarily appropriate for this scheme. In order to evaluate adequacy of targets, political coordination as well as technical expertise (including that of private sectors) will be required.)

- Necessity of developing a guideline for management and allocation of issued credits should be considered.
(Note: For SCM, planning and registration will be handled at sectoral level. Therefore, either institutions representing such sectors or the government will be the responsible body for the implementation of projects. Therefore, ways to maintain incentives for private sectors who participate in the projects need to be considered)
- If the targets in specific sectors are not achieved, credit will not be issued as a matter of course. Necessary measures taken against the failure to achieve targets as an obligation for mitigation actions should be discussed separately in relation with compliance mechanisms. The word “no-lose” should not be used here, as its definition is still unclear.
- After the introduction of this scheme for certain sectors, the current type of CDM should not be used in those sectors.
- In case the current type of CDM projects are registered by the end of 2012, the current rule will apply for the issuance of credits even after SCM is introduced. In this case, amount of credits issued for these projects should be deducted from the amount of credits issued for SCM.

I(CDM)-E. Introduce crediting on the basis of nationally appropriate mitigation actions

(basic ideas)

- There can be a certain variety of forms and natures for nationally appropriate mitigation actions (NAMAs). If all the NAMAs are eligible for credits, massive amount of credits may be issued without sufficient additionality test, and environmental integrity can be significantly deteriorated. It is necessary to define mitigation actions for issuing credits and clarify the way of evaluating additionality before discussing concrete institutional arrangements.
- For instance, at minimum, emissions reductions should be quantifiable and measurable, reportable and verifiable (MRV) for eligible activities for issue of credits. Also, this scheme should fulfill rigid conditions such as data collection and monitoring, capacities for management and allocation of credits, evaluation of adequacy of the level of targets, and enhancement of verification and certification.
- In addition, if this scheme aims to grasp effect of mitigation measure by sectors and to issue credits for these reductions, this scheme overlaps with I(CDM)-D. Therefore, this scheme should be considered with I(CDM)-D. On the other hand, if this scheme aims to issue credits to wider scope of activities (for example, cross-sectoral activities), its feasibility is highly doubtful from the perspective of quantifiability or MRV.

I(CDM)-F. Encourage the development of standardized, multi-project baselines

(basic ideas)

- This scheme has the same purpose as that of I(CDM)-D. By implementing additionality tests based on the predetermined sectoral targets including subsectoral ones, environmental integrity should be assured with maintaining transparency, efficiency and accountability of the credit issuance and certification processes. In addition, this scheme can be transitionally applied when conditions for implementation of I(CDM)-D cannot be met such as developing countries' capacities for accounting for economy-wide emissions and data collection that cover all the emission sources in certain sectors. The word “benchmark” can mean a target, so “parameters, including benchmarks” should be replaced with “parameters, including benchmark targets”.
- Adequacy of targets should be rigidly evaluated, but from the viewpoint of effectiveness of the scheme, certain flexibility should be allowed. It should be possible to use data only for large-scale plants/factories over a certain production scale, instead of requesting data for all the emission sources at a plant/factory level in accordance with national circumstances. In this case, however, adequacy of applying this methodology should be examined by a third party.

- Credits are issued not at a sectoral level, but at a project level. By doing this, environmental integrity can be ensured even with limited coverage of data of developing countries. This scheme can be highly effective in improving efficiency of CDM projects and ensuring environmental integrity at the same time, taking into account national circumstances of developing countries.
- Capacity-building in accounting, data collection and management of emissions should be enhanced.

(Institutional elements to be considered)

- Criteria for eligible countries and sectors for this scheme need to be defined. Data for considerable coverage of emission sources within such sectors should be available. Adequacy of targets should be rigidly evaluated. In this case, not only the improvement of efficiency by increase of production quantity, but the improvement of efficiency by introduction or renewal of energy-saving or environment equipments/facilities should be identified in a measurable, reportable and verifiable manner. Data for each plant/factory is required for power generation and manufacturing industry sectors. Key sectors in major developing countries (where sector-specific targets are set) should be eligible for I(CDM)-D or I(CDM)-F in principle, but instead, these sectors should not be eligible for the current type of the CDM. Other countries or sectors can voluntary use this scheme if required conditions are fulfilled, but in this case, the current type of the CDM cannot be used in those sectors either.
- Targets should be expressed using emission intensity etc. For sectors and subsectors where accounting of data at a plant/factory level is technically possible, we propose an option to set intensity targets at a certain percentage (x%) from the top of efficiency distribution, using collected plant/factory-based data. Further consideration need to be continuously needed whether new plants/factories and existing plants/factories should be treated differently.
(Note: As an efficiency distribution depends on national circumstances, the level of a certain percentage (x%) need to be further considered after eligible developing countries report on their efficiency distribution for the relevant sector. If getting information on distribution is difficult, the number of X% can be tentative and, based on the information acquired later, this number may be reviewed, if necessary)
- For such sectors or subsectors where accounting of data at a plant/factory level is technically impossible, the emission intensity targets and the methodology for setting levels need to be further considered.
- Targets should be defined for each sector of each country. In addition, targets offered by host countries should be approved and reviewed and the results should be evaluated and verified in a process where stakeholders including private sectors are involved.
(Notes: Unlike the current type of the CDM, additionality tests will be implemented based on nationally appropriated targets. Therefore, ordinary baseline methodologies approved by the CDM Executive Board are not necessarily appropriate for this scheme. In order to evaluate adequacy of targets, political coordination as well as technical expertise (including that of private sectors) will be required.)
- If the target is not achieved in a certain project implemented in a sector where this scheme is applied, credits will not be issued for the project.
- After the introduction of this scheme for certain sectors, the current type of CDM should not be used in those sectors.
- In case the current type of CDM projects are registered by the end of 2012, the current rule will apply for the issuance of credits even after SCM is introduced. In this case, amount of credits issued for these projects should be deducted from the amount of credits issued for SCM.

I(CDM)-H. Differentiate the eligibility of Parties through the use of indicators

(basic ideas)

- In order to improve the geographical distribution of CDM projects and to promote actions by developing countries in accordance with their common but differentiated responsibilities and respective capabilities, countries which need urgent support for emission reductions (especially vulnerable countries and LDCs) should be prioritized as host countries of CDM projects. In this respect, differentiation in the CDM scheme is necessary.

I(CDM)-J. Promote co-benefits for clean development mechanism projects by facilitative means

II(JI)-C. Promote co-benefits for joint implementation projects under Track 2 by facilitative means

(basic ideas)

- In reforming flexibility mechanisms, a scheme to promote measures to cope with climate change while materializing development needs of developing countries (co-benefits approach) should be introduced. This co-benefit approach may potentially improve problem of geographical distribution of projects, by reflecting needs by developing countries. On the other hand, in option B, option 2, which proposes that all projects must introduce co-benefits approach and be verified by a DOE (designated operational entity), and should not be adopted since this option constrains the use of flexibility mechanisms. While recognizing there are various ways to consider eligible areas for co-benefits approach, Japan considers that key eligible areas are the ones to realize alleviation of air and water pollution, waste reduction and management, and the ones to contribute to technology transfer and capacity building. These projects should be given preferential treatment under JI and the CDM. For these projects, in many cases, data already exists and is available, and direct effect of co-benefit approach is MRVable. Therefore, it is desirable to grasp effect of co-benefits, while avoiding too much burden on the participants to the projects.
- The CDM projects which apply co-benefit approach should be approved by an institution established under the UNFCCC, while reflecting the views of host countries. Host countries should judge whether each project will contribute to their sustainable development, which is a required condition for all the CDM projects. On that basis, the types of projects with co-benefits, or the method to identify them should be determined in advance by an institution established under the UNFCCC to promote such projects. For example, improvement of efficiency of combustion engine, management of landfill, methane recovery from wastewater will be eligible projects.
- JI projects with co-benefits approach should also be approved by an institution established under the UNFCCC, taking into account relevant discussions for the CDM.
- Preferential treatment for projects which applies co-benefits approach can be a combination of some incentives, such as reduction of entry items to PDD, reduction of financial burden, prioritization in the evaluation processes. In addition, evaluation processes should be further simplified for the project types which are not economically profitable under normal conditions.

III(ET)-A. Introduce emissions trading based on sectoral targets

(basic ideas)

For this scheme, emissions in specific sectors in developing countries need to be projected by estimating activity levels including economic development and growth of production in order to set adequate targets, which is politically and technically difficult at this stage. Therefore, methodology to set targets using intensity target should be considered under I(CDM)-D and I(CDM)-F.

PAPER NO. 4: UNITED STATES OF AMERICA
Reducing Emissions and Enhancing Removals from Forests and Land Use

29 May 2009

The United States welcomes the opportunity to provide an additional, explanatory submission—alongside the U.S. submission of May 5, 2009—regarding our views on a future framework for “REDD-plus”.

Addressing land use, including deforestation, is essential to a climate solution. For some countries, it may be the most critical part of their commitments to transition to a low-carbon future. The United States is committed to creating a system that provides incentives for effective mitigation—that is cost efficient, environmentally robust, and produces results that endure over time. For this reason, the U.S. supports inclusion of enhanced national and international action on reducing emissions by sources and enhancing removals by sinks in the land use sector in an agreed outcome in Copenhagen.

Actions taken in the forest and land use sectors (referred to as “REDD-plus”) will have many characteristics in common with other types of mitigation actions—and therefore should be integrated into the broader mitigation framework, including provisions on “nationally appropriate mitigation actions”, institutional arrangements, and the means of implementation. At the same time, we recognize there are elements unique to REDD-plus that could be explicit in an agreed outcome at Copenhagen, including: clarification of the scope and purpose of REDD-plus; the use of a phased approach; development of guidance for REDD-plus strategies; identification of the need to develop MRV systems for land use; principles for developing reference levels for REDD-plus; further consideration of the economic, environmental and social impacts of REDD-plus; and recognition of other types of actions that relieve pressure on forests and land that results in greenhouse gas emissions.

It is our view that the Long-term Cooperative Agreement in Copenhagen should lay the foundation and framework on REDD-plus so that future sessions can develop more detailed rules, procedures, and modalities, particularly for a market-based instrument. At the same time, a SBSTA decision at COP-15 could provide Parties further guidance on technical issues—such as elements for a REDD-plus strategy, or minimum standards for market-based eligibility—that would allow Parties who wish to take early actions to begin without delay.

Purpose and Scope of REDD+

“REDD-plus refers to actions that reduce emissions by sources or increase removals by sinks in the land use sector in developing countries. The purpose of REDD-plus is to assist developing countries in achieving sustainable development and contributing to the objective in Article 2 of the Convention. It shall have as its ultimate goal comprehensive accounting of all sources and sinks from land use, while providing the flexibility for Parties to implement a staged approach beginning with those categories appropriate to national circumstances and capacities, with incentives for including additional land use categories commensurate with increased capacity, technologies, and methodologies.”¹

The United States supports a principle that approaching REDD-plus from a holistic “sustainable landscapes” approach is the best way to ensure that reductions in emissions, or increases in removals, are enduring over time. Our goal is to help developing countries move towards a long-term vision of productive, economically viable, and environmentally sustainable landscapes that maintain and enhance forests, and result in (1) socioeconomic development, (2) increased climate resiliency, and (3) reduced emissions and increased removals of greenhouse gases.

Comprehensive land use inventories and monitoring frameworks help to provide information that can improve forest and land management practices; they also best reflect “what the atmosphere sees”. Ultimately, a comprehensive approach offers the greatest long-term incentives to protect and increase

¹ Italics throughout document reference language from May 5, 2009 U.S. submission.

existing carbon stocks and reduce GHG emissions. It also minimizes leakage and double counting, and better accounts for changes between land-use types.

We recognize, however, the challenges associated with full terrestrial GHG accounting. For this reason, we view comprehensive accounting of all sources and sinks as the ultimate objective of REDD-plus, but support a staged process that allows developing countries to begin with accounting for a limited set of key categories, appropriate to national circumstances². At the same time, REDD-plus should include both flexibility and incentives for developing countries to include additional land use categories as national capacities increase, and as technologies and methodologies to measure and monitor land use emissions progress.

REDD-plus strategies, financing and a phased approach

The REDD-plus framework shall allow for the evolution of national REDD-plus strategies, including: (1) self-financed actions; (2) actions eligible for capacity building, technical assistance and financial support; and (3) actions that result in emissions reductions or removals with sufficient integrity to become eligible for market-based approaches;

REDD-plus strategies: Participation in REDD-plus can be identified as part of a country's nationally appropriate mitigation commitment or actions. In this case, a country would prepare a national REDD-plus strategy, within the context of a low carbon strategy. REDD-plus strategies will vary based on national circumstances, should be created within the context of low-carbon development strategies, and should elaborate, inter alia:

- A broad land use and sustainable forest management strategy.
- Needs related to building the technical and institutional capacity to measure and monitor relevant emissions and removals from land use
- Actions to strengthen land and natural resource-related governance, laws and their enforcement, such that REDD-plus strategies can be effectively implemented
- Identification of, and actions to, address the drivers of land use emissions
- Mechanisms to deliver resources for local action; and address the needs, interests, and participation of local and indigenous communities
- Sub-national, or national, "demonstration activities" and methodologies that relate sub-national activities to a national reference level

Financing: In addition to global benefits, such as climate change mitigation, sustainable management of natural systems should be consistent with sustainable development goals and bring multiple national benefits. Putting in place an appropriate policy framework to harness those benefits will provide the signals necessary to mobilize domestic resources and ensure the effective use of private investment, which we believe is the source of sustainable financing in the long-term. In the short and medium-term, however, the U.S. recognizes that countries participating in REDD-plus may require financial and technical assistance. In this regard, the U.S. supports the use of a broad range of delivery systems, including market and non-market sources of funds.

Non-market finance: Some actions identified in the REDD-plus strategies—particularly those related to a "readiness" or capacity building phase—will be accomplished with domestic resources and others may require external resources. Preparation of the strategy, as well as implementation, should be eligible for technical assistance and financial support. Once a country is prepared to take on a commitment and has reached an agreed upon level of rigor, it will become eligible to engage in a market-based instrument.

Market finance: Market instruments for REDD-plus will require rigorous standards and agreed upon modalities and procedures. It will be extremely important to build confidence in real reductions and to

² Appropriate categories could be identified by implementing a Tier 1 GHG inventory and identifying "key categories" per the IPCC guidelines.

ensure environmental integrity. To this end, we believe that a REDD-plus market-based instrument must address, inter alia, how to ensure reductions are additional, and account for reversals. We assume that countries participating in market finance will take on commitments, related to performance measured against an agreed upon reference level (see below for discussion on setting reference levels).

The World Bank, UN-REDD, and other “demonstration activities” at the national level have only just begun, and we believe that the development of standards, modalities, and procedures for a market-based instrument should be informed by the lessons learned from these activities.

Measuring, Reporting and Verifying Actions

The REDD-plus framework shall be consistent with overall approaches to measurement, reporting, and verification under the Agreement, recognizing the need for higher levels of MRV for market-based eligibility; it shall also provide for reference levels (taking into account historic data and other relevant factors) that adjust over time and are guided by a long-term pathway that results in a sustainable level of standing carbon stock within a reasonable time period.

Ensuring mitigation actions are measureable, reportable, and verifiable (MRV) is critical to a future framework. It is our view that MRV of REDD-plus actions, where practicable, should fit within the broader framework for MRV. For GHG-based incentives, reference levels will need to be established and validated, taking into account national circumstances and capacities, and be guided by a long-term pathway. Market instruments will require setting rigorous standards in order to maintain confidence and ensure results are real and permanent.

Non-market MRV: The majority of REDD-plus actions—particularly those that fall within the “readiness” or capacity building phase—should not require a MRV system separate to that built for the broader agreement. In this regard:

- Countries should put forward descriptions of actions—that fit within an identified REDD+ strategy—that can be measured, reported, and verified with a necessary degree of confidence; they should include expected outcomes and their relationship to a longer-term mitigation scenario.
- Support for those actions—whether in the form of technology, financing or capacity building—should also be measured, reported, and verified.

Market-based MRV: Market instruments will require a high level of stringency in order to maintain confidence and ensure results are real, additional, verifiable, and account for reversals. In addition, there are some unique characteristics of REDD-plus that should be elaborated in the agreement, particularly as regards a market-based instrument. At a minimum, the US recommends countries who want to participate in a market-based system should:

- Present a detailed description of steps envisaged, including policies and measures, estimates for the expected effect of those actions on emissions and removals, and their relationship to a longer-term mitigation scenario. These actions would be measured, reported, and reviewed with a necessary degree of confidence
- Complete a Tier 1 land use inventory using the most recent IPCC guidelines, and identify key categories for their country.
- Identify which categories, and pools, it will include in its baseline and accounting framework
- Complete estimates for emissions and removals within an acceptable range of uncertainty
- Have spatially explicit data (using guidance on the consistent representation of land in the IPCC Good Practice Guidance for LULUCF)
- Ensure that reductions in emissions or increases in removals are new and additional, and account for reversals;
- Establish clear incentives for countries to continuously improve their national monitoring and reporting systems

Reference levels: For those REDD-plus actions that receive quantified GHG-based incentives—through any type of financing, including non-market, market-linked, or market-based instruments—a reference level will need to be determined. The setting of reference levels has profound implications for climate effectiveness. For example, deforestation is highly complex and drivers vary significantly by region and are subject to a range of unpredictable variables. It is extremely difficult to accurately predict long-term future deforestation rates. For this reason, we believe the best starting point for creating reference levels is the use of historic data. Additional information should also be considered, including but not limited to:

- Some countries have higher respective capacities, and taking actions—for example, unilateral actions to slow deforestation or restore degraded lands—may be part of their national commitment.
- We also believe reference levels should adjust over time, and be guided by a long-term goal that identifies an emissions/removals pathway and results in a sustainable level of standing carbon stock within a reasonable time period.

Economic, Environmental, and Social Impacts

The REDD-plus framework shall provide for further consideration of the economic, environmental, and social impacts of REDD-plus, including with respect to promoting biodiversity, the interests of relevant local and indigenous communities, and other benefits and risks of REDD-plus; and

A unique element in managing terrestrial carbon is the close linkage to issues unrelated to GHG emissions and removals, but which are affected by land management decisions. These include, inter alia: biodiversity, other ecosystem services, and livelihoods including local communities and indigenous peoples. In this regard, we recognize that:

- Countries have existing commitments under other international agreements related to forests and/or other land uses and associated “co-benefits”; national implementation actions taken as part of REDD-plus should be consistent with those commitments.
- Effective implementation and enduring results will only be achieved with an open and transparent process, including broad stakeholder participation and taking into account the needs and interests of local communities, forest dwellers, and indigenous peoples.

We therefore suggest that future sessions elaborate modalities and procedures to promote the benefits of REDD-plus and provide adequate safeguards against risks.

Other Actions

The REDD-plus framework shall encourage all Parties to find appropriate ways to relieve the pressure on forests and land that result in greenhouse gas emissions.

It is the United States’ view that to solve the problem of emissions from land use, in particular deforestation, we must not only create incentives for countries to slow, and eventually stop, net deforestation. We also need to consider the dynamic links between population growth, consumption patterns, demands for food, fiber, and fuel, and land use decisions. If we fail to address these complex interactions, pressures to expand the agricultural frontier and other demands on forests will continue to increase over time. For this reason, the United States believes that a broad set of policy actions by **all** parties should also comprise part of our collective efforts to reduce emissions from land use, including deforestation.

In this regard, we invite countries to collaborate in developing recommendations on other actions Parties can take as part of their Commitments, per Article 4.1(b) and (c) of the Framework Convention.