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English only

Ad Hoc Working Group on Long-term Cooperative Action under the Convention

Fourteenth session, part three

Panama City, 1–7 October 2011

Agenda item 3.2.5

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

Submission by Switzerland

1. On 3 October 2011, the secretariat received a submission from Switzerland. The secretariat was requested to issue a conference room paper containing this submission.
2. The submission is attached and reproduced¹ in the language in which it was received and without formal editing. This submission has also been posted on the UNFCCC website.²

¹ This submission has been electronically imported in order to make it available on electronic systems, including the World Wide Web. The secretariat has made every effort to ensure the correct reproduction of the text as submitted.

² <http://unfccc.int/meetings/ad_hoc_working_groups/lca/items/4578.php>.

Submission from Switzerland

AWG-LCA - agenda item 3.2.5. - markets

In order to maximize the time allocated until Durban for discussions under agenda item 3.2.5. “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”, Switzerland hereby proposes elements for a draft decision.

The following elements for a draft decision address market-based mechanisms. In addition, Switzerland considers that non-market-based mechanisms are also important and should be captured in a decision.

Elements for a draft decision X/CP.17 - Markets to enhance the cost-effectiveness of, and to promote, mitigation actions

Recalling decision 1/CP.16,

Acknowledging that market mechanisms allow the cost-effectiveness and promotion of mitigation actions and the increase in the global ambition to reduce emissions,

Recognising that market mechanisms have to contribute to sustainable development,

Decides to establish crediting and trading mechanisms, with voluntary participation of Parties and in view of enhancing the cost-effectiveness of, and promotion of, mitigation actions,

Agrees that new market mechanisms will cover broad segments of the economy, including sectors, sub-sectors, policies and measures, technologies or other mitigation actions,

Agrees that common principles, modalities and procedures as well as the coordinating and oversight functions of the UNFCCC are needed in order to ensure environmental integrity and robust market functioning, allow comparability of quality of the mechanisms, foster the coherence of the carbon market and fungibility of units. This structure and these objectives should constitute the framework for implementation of the mechanisms by participating country Parties,

Agrees that the eligibility of the mechanisms is based on the voluntary participation of Parties involved and the adequacy of the use of the mechanisms with the common principles, modalities and procedures, and that promotion of fair and equitable access to the mechanisms is important,

Agrees that other means of support should complement market mechanisms, while ensuring that no double-counting occurs,

Agrees that environmental integrity is a key principle, in particular for the determination of crediting thresholds or targets, for eligibility of sectors or sub-sectors, policies and measures, technologies or other mitigation actions to the mechanisms, for measuring, reporting and verification of emissions, as well as for the issuance of units,

Agrees that a net decrease of global greenhouse gas emissions implies a significant own contribution by the developing and developed country Parties to emission reductions,

Agrees that the use of mechanisms by developed country Parties should be supplemental to domestic mitigation efforts,

Agrees that ensuring good governance and robust market functioning and regulation is essential for the environmental integrity and robust quality of the mechanisms, including for the avoidance of double-counting, the transparency and integrity of issuance, trading and use of units,

Agrees that new crediting and trading market mechanisms are complementary to the mechanisms under the Kyoto Protocol, but that market mechanisms should not lead to double-counting,

Agrees that incentives for private sector engagement through national policies and clarity on the scope and eligibility of mechanisms in the participating country Party are important for the functioning and promotion of the mechanisms,

Decides to establish a work programme under an *ad hoc* technical expert committee to draft modalities and procedures for the above-mentioned mechanisms, with a view to recommending a draft decision to the Conference of the Parties for adoption at its eighteen session. Modalities and procedures to be elaborated include:

- Definition of the trading and crediting mechanisms and their functioning
- Rules to define sectors or sub-sectors, policies and measures, technologies or other mitigation actions, as well as gases that can be part of the mechanisms
- Timeframe of the mechanisms
- Rules for avoiding double-counting
- Methods for calculating baselines, crediting thresholds and area targets
- Rules for reviewing and approving baselines, crediting thresholds and area targets
- Rules for the measurement, reporting and verification (*in coordination with the relevant processes under the UNFCCC*)
- Rules for the issuance of *ex ante* units (trading mechanism) and *ex post* credits (crediting mechanism)
- Rules for tracking units

Invites Parties and accredited observer organizations to submit to the Secretariat, by [date], their views on matters referred to in paragraph [X].
