

21 March 2011

English/Russian only

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

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

**Fourteenth session**

**Bangkok, 5–8 April 2011, and Bonn, 6–17 June 2011\***

Item 10 of the provisional agenda

**Market-based and non-market-based mechanisms**

**Views on the evaluation of various approaches in enhancing  
the cost-effectiveness of, and promoting, mitigation actions**

**Submissions from Parties**

1. The Conference of the Parties, by its decision 1/CP.16, paragraph 87, invited Parties to submit to the secretariat, by 21 February 2011, information on the evaluation of various approaches in enhancing the cost-effectiveness of, and promoting, mitigation actions, including activities implemented jointly under Article 4, paragraph 2(a), of the Convention and any other relevant activities.
2. The secretariat has received six such submissions from Parties. In accordance with the procedure for miscellaneous documents, these submissions are attached and reproduced\*\* in the language in which they were received and without formal editing.

---

\* The second part of the fourteenth session of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention will be held in conjunction with the second part of the sixteenth session of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol and the thirty-fourth sessions of the Subsidiary Body for Implementation and the Subsidiary Body for Scientific and Technological Advice. The exact dates of the resumed sessions of the ad hoc working groups will be announced in due course.

\*\* 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.

**FCCC/AWGLCA/2011/MISC.4**

GE.11-60605

Please recycle 

## Contents

	<i>Page</i>
1. Bolivia (Plurinational State of) (Submission received 21 February 2011) .....	3
2. Hungary on behalf of the European Union and its member States* (Submission received 15 February 2011) .....	5
3. Malaysia (Submission received 18 February 2011) .....	12
4. Russian Federation (Submission received 25 February 2011) .....	13
5. Saudi Arabia (Submission received 17 February 2011) .....	19
6. Venezuela (Bolivarian Republic of) (Submission received 21 February 2011) .....	21

---

\* This submission is supported by Albania, Bosnia and Herzegovina, Croatia, Iceland, the Former Yugoslav Republic of Macedonia, Montenegro and Serbia.

Paper no. 1: Bolivia (Plurinational State of)

Submission by the Plurinational State of Bolivia

**Various approaches in enhancing cost-effectiveness of and promoting, mitigation actions, including activities implemented jointly under Article 4, paragraph 2 (a) of the Convention and any other relevant activities**

The Plurinational State of Bolivia presents its views on various approaches in enhancing cost-effectiveness of and promoting, mitigation actions, including activities implemented jointly under Article 4, paragraph 2 (a), of the Convention and any other relevant activities, as referred to in document FCCC/AWGLCA/2010/L.7, paragraph 87. The views expressed in this and other written and verbal communications by Bolivia shall not be regarded as implying acceptance of certain outcomes of the UN Climate Change Convention in Cancun, which were declared as adopted over the formal, explicit and express objection by Bolivia on the basis, among other things, that they pave the way to: end the Kyoto Protocol; replace it with a more lax voluntary pledge and review approach without specifying the commitments of developed countries; anchor inadequate emission reductions by Annex I Parties of the Convention, which if based on the Copenhagen accord are estimated to result in emission reductions of between 13-17% from 1990 levels; realize levels of global warming of up to 4 degrees Celsius, which is unacceptable to humanity and nature<sup>1</sup>; and prefigure new market mechanisms which enable developed countries to further transfer their responsibilities to developing countries, allowing developed countries to continue utilising and creating market mechanisms outside of the Kyoto Protocol. Bolivia views this violation of consensus as a dangerous precedent for the multilateral system and the rule of law and will seek to defend the rights of Bolivia and ensure that rules and procedures apply equally and fairly to all States, large and small.

1. Article 4.2.a is part of section 4.2, respective to the responsibilities of developed countries. All references in this section to “these parties” imply developed country Parties.
2. The citation “These Parties may implement such policies and measures jointly with other Parties and may assist other Parties in contributing to the achievement of the objective of the Convention and, in particular, that of this subparagraph” thus refers to joint implementation of policies **by Annex I Parties**. In no way this can be understood to be a joint implementation with non-Annex I Parties, whereby developing Parties run with the responsibility of reducing the emissions of Annex I Parties, through offsets or any other form of market mechanisms.
3. The citation “These policies and measures will demonstrate that developed countries are taking the lead in modifying longer-term trends in anthropogenic emissions (...)” shows that the modification of trends in GHG emissions must be in the first place in Annex I countries. Through offsets, trends are modified in non-Annex I countries, allowing for the maintenance of the GHG emissions trends in Annex I countries.
4. Bolivia is very interested to learn about measures to mitigate climate change that have been implemented “nationally” and see if those measures can be amplified to other countries. An evaluation of “non-market-mechanisms” implemented by individual countries can be helpful for defining future measures in different Parties.
5. The joint implementation of many measures between Annex I countries is important to coordinate several kind of policies, especially in cases like carbon tax, etc.
6. More important than the evaluation of some measures, is the evaluation of the commitment of Annex I Parties that they “will demonstrate that developed countries are taking the lead in longer-term trends in anthropogenic emissions consistent with the objective of the Convention, recognizing that the return by the end of the present decade to earlier levels of anthropogenic emissions of carbon dioxide

---

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

and other greenhouse gases not controlled by the Montreal Protocol would contribute to such modification". As a matter of fact, there is a corresponding agenda item of the COP on this issue, under the title "Second review of the adequacy of Article 4, paragraph 2(a) and (b), of the Convention", which has been differed year after year. Bolivia calls for a sincere consideration of this item.

## **SUBMISSION BY HUNGARY AND THE EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION AND ITS MEMBER STATES**

**This submission is supported by Albania, Bosnia and Herzegovina, Croatia, Iceland, the Former Yugoslav Republic of Macedonia, Montenegro and Serbia.**

Budapest, 15 February 2011

**Subject: Information on the evaluation of various approaches in enhancing the cost-effectiveness of, and promoting, mitigation actions**

1. The EU welcomes the opportunity to submit information on the evaluation of various approaches in enhancing the cost-effectiveness of, and promoting, mitigation actions, including activities implemented jointly under Article 4, paragraph 2 (a), of the Convention and any other relevant activities.
2. As shown by the IPCC<sup>2</sup>, approaches to enhance cost-effectiveness of and to promote mitigation can include both market-based approaches and non-market-based approaches. The EU recalls that its views on those two types of approaches are included respectively in its submissions from February, March and April 2009<sup>3</sup>, from July 2010<sup>4</sup> and from February 2011.
3. Both market-based and non-market-based approaches are important and complement each other to combat climate change.
4. This is why several elements of both approaches can be found in the EU climate change legislation as shown by the examples below (non exhaustive list)<sup>5</sup>.
5. The European Climate Change Programme (ECCP) was launched in 2000 with the aim of identifying and developing all necessary elements of an EU strategy to implement the Kyoto Protocol. The ECCP included an extensive stakeholder consultation that looked at what policies were needed. This resulted in the development of a series of legislative actions including both market and non-market initiatives, since evidence and stakeholder views clearly showed that different instruments work best for different sectors and circumstances. Each of the EU Member States has also put in place its own domestic actions that build on the ECCP measures or complement them.

---

<sup>2</sup> See Working Group III Contribution to the Fourth Assessment Report of the IPCC, Chapter 13

<sup>3</sup> Contained in FCCC/KP/AWG/2009/MISC.3, FCCC/AWGLCA/2009/MISC.1/Add.4, FCCC/KP/AWG/2009/MISC.9 and FCCC/AWGLCA/2009/MISC.4 (Part I) respectively

<sup>4</sup> FCCC/KP/AWG/2010/MISC.5/Add.1

<sup>5</sup> Details on any examples can be found on the European Commission web site :

[http://ec.europa.eu/clima/policies/brief/eu/index\\_en.htm](http://ec.europa.eu/clima/policies/brief/eu/index_en.htm)

## **6. Examples of EU legislation that includes market-based approaches:**

- a. The Revised Emissions Trading Directive (Directive 2009/29/EC): Launched in 2005, the EU Emission Trading System (ETS) - a "cap and trade" system - is a cornerstone of the EU's policy to reduce greenhouse gas emissions cost-effectively in sectors with large emitters. Revised legislation comes into force in 2013 that will expand (e.g. by covering emissions not only of CO<sub>2</sub> but also of N<sub>2</sub>O from nitric and adipic acid production) and improve the current EU ETS, including a harmonized emission cap which will be set at EU level and cut each year to reach -21% in 2020 (compared to 2005 levels). The EU-wide cap for 2008-2012 amounts to 2.081 billion allowances per year. Use of offset credits from outside of the EU is allowed, with quantitative and qualitative limits, and this amount remains below half of the reduction effort in order to ensure a sufficient level of emissions reductions inside the EU. Aviation will also come into the EU ETS from January 2012, under Directive 2008/101/EC. It is estimated that a total of 183 million tonnes of CO<sub>2</sub> will be saved per year on the flights covered by the EU ETS, equal to a 46% reduction by 2020 compared with business as usual.
- b. Renewable energy Directive (Directive 2009/28/EC) which establishes a common framework for the use of energy from renewable sources. Legally binding targets are set for each Member State in order to reach the EU target of 20% share of renewable energy in the EU's final energy consumption and 10% in transport by 2020. To this end, Member States can also "exchange" an amount of energy from renewable sources using a statistical transfer.
- c. Taxation of energy products and electricity (Directive 2003/96/EC): EU-wide coordinated energy taxes with minimum tax rates for each type of fossil fuel are working as a complementary tool in sectors which are not covered by the EU emissions trading scheme (space heating, transport, etc.). In addition, several Member States have implemented taxes or levies to disincentivise activities which are specifically harmful for the global climate (e.g. air ticket chargers).

## **7. Examples of EU legislation that includes non-market-based approaches:**

- a. Decision No 406/2009/EC (the so-called "Effort Sharing Decision") that establishes annual binding greenhouse gas emission targets for Member States for the period 2013–2020 for all 6 Kyoto gases and all sectors except installations covered by the EU Emissions Trading System (ETS) and Land Use, Land Use Change and Forests (LULUCF). It sets legally binding annual targets in the period 2013-2020 for each Member State according to a linear trajectory, ensuring that by 2020, emissions from these sectors will be reduced at EU level by 10% compared to 2005 levels. The efforts (targets ranging from -20% to +20%<sup>6</sup>) are shared between Member States according to differences in GDP per capita in 2005. This will ensure a gradual move towards agreed 2020 targets in sectors where changes take time, such as transport, buildings and agriculture. Ensuring fulfillment of the set targets requires different types of actions by Member States, such as shifts away from transport based on fossil fuels, promotion of public transport, improved energy performance standards for

---

<sup>6</sup> It should be noted that even allowed increase in these sectors within Member States will mean reduction actions to be undertaken by the Member States.

buildings, more efficient heating systems, renewable energy for heating, more efficient farming practices, and conversion of animal waste to biogas. To increase the cost-effectiveness, Member States are allowed substantial flexibility in meeting their targets in 2013-2020. They can borrow 5% of their allowed emissions from the next year or bank the emission reductions they make in excess of their reduction targets for the following year. Although the Effort Sharing Decision is not primarily a market-based instrument it includes the possibility for Member states to use JI/CDM credits and transfer emission rights among each other.

- b. Regulation No 443/2009 sets emission performance standards for new passenger cars. The fleet average to be achieved by all cars registered in the EU is 130 grams per kilometre (g/km) by 2012-2015, a 19% reduction as compared to 2006. A so-called “limit value curve” implies that heavier cars are allowed higher emissions than lighter cars while preserving the overall fleet average. In 2012, 65% of each manufacturer's newly registered cars must comply on average with the limit value curve set by the legislation. This will rise to 75% in 2013, 80% in 2014, and 100% from 2015 onwards. A target of 95g/km is specified for the year 2020. Details on how this target will be reached, including the excess emissions premium, will have to be defined in a review to be completed no later than the beginning of 2013.
- c. Directive on the geological storage of carbon dioxide (Directive 2009/31/EC) provides a legal framework for the geological storage of carbon dioxide with the purpose of the permanent containment of CO<sub>2</sub> in such way as to prevent and, where this is not possible, eliminate as far as possible negative effects and any risk to the environment and human health. It includes inter alia provisions on site selection, permitting, monitoring, reporting, corrective measures, closure and post-closure obligations, transfer of responsibility and financial security.
- d. Fuel quality Directive (Dir 2009/30/EC) puts an obligation on suppliers to reduce greenhouse gas emissions from entire fuel production chain by 6% by 2020. A review in 2012 will consider increasing the target to 10% by 2020.
- e. Legislation on fluorinated greenhouse gases (Regulation (EC) N° 842/2006 and Directive 2006/40/EC) addresses emissions of the three groups of fluorinated gases covered by the Kyoto Protocol, helping the EU to meet its objectives. The Regulation focuses on their key stationary applications (refrigeration, air conditioning and others) and includes a series of measures primarily aiming to improve leak-tightness of products and equipment containing those gases. The Directive focuses on mobile air conditioning and prohibits the use of F-Gases with higher than 150 GWP in new vehicles between 2011 and 2017.
- f. Directive on the energy performance of buildings (Dir 2010/31/EU) provides guiding principles for Member States regarding the energy performance of buildings. The buildings sector represents 40% of the EU's total energy consumption. Reducing energy consumption in this area is therefore a priority under the EU policy on energy efficiency.
- g. Landfill Directive (Dir 1999/31/EC) imposes amongst other to capture the methane emissions at landfill sites.

## **8. Studies on the efficacy and cost-effectiveness of EU climate change policy/legislation**

The following reports/studies are based on comprehensive evaluations of the various approaches implemented by the EU (both market-based and non-market-based approaches) and provide detailed information on their efficacy and cost-effectiveness<sup>7</sup>. They show that EU climate policies and measures have led to emission reductions and have influenced business and investment decisions. The emission reductions achieved were also cost-effective and have not resulted in relocation of business.

- ☞ *The EU regularly reports on its actual and projected progress towards fulfilling its emission reduction commitments under the UNFCCC and the Kyoto Protocol. It does so through different channels (see for instance: [http://ec.europa.eu/clima/policies/g-gas/docs/sec\\_2010\\_1204\\_en.pdf](http://ec.europa.eu/clima/policies/g-gas/docs/sec_2010_1204_en.pdf) and <http://www.eea.europa.eu/publications/progress-towards-kyoto/>)*

Those reports provide information on actual and projected GHG emissions of the EU and its Member States and assess progress towards achieving the Kyoto target as well as present GHG emission trends beyond 2012. Information on policies and measures resulting from implementation of among others the European Climate Change Programme (ECCP) is also presented.

- ☞ *Quantification of the effects on greenhouse gas emissions of policies and measures, December 2009 - study led by AEA in partnership with Ecofys, Fraunhofer ISI and the National Technical University of Athens, and prepared for the European Commission ([http://ec.europa.eu/clima/studies/brief/eu/docs/ghgpams\\_report\\_180110.pdf](http://ec.europa.eu/clima/studies/brief/eu/docs/ghgpams_report_180110.pdf)).*

Several policies and measures to reduce GHG emissions have been implemented in the EU through the ECCP. This report has sought to provide quantitative information on the impact of policies and measures implemented under this program to date following the development of suitable methodologies for the quantification thereof. The results are estimated impacts on the emissions of GHG at different levels based on the methodologies/approaches developed in this study. These results, although being estimates that could vary depending on the methodologies/assumptions used, clearly show that the implemented policies and measures have led to real reductions of GHG emissions within the EU.

- ☞ *The EU Emissions Trading System and Climate Policy towards 2050 – Real incentives to reduce emissions and drive innovation? CEPS Special Report (<http://www.ceps.eu/book/eu-emissions-trading-system-and-climate-policy-towards-2050-real-incentives-reduce-emissions-an>).*

Mitigation costs can be substantially reduced through a portfolio of policy instruments, including those that help to overcome barriers, with emissions trading in particular expected to reduce the costs<sup>8</sup>. As such, the EU ETS, being the first scheme of its kind when its first (learning by doing)

---

<sup>7</sup> Non-exhaustive list

<sup>8</sup> Working Group III Contribution to the Fourth Assessment Report of the IPCC, chapters 11.3.5 and 11.4, p. 640. Other relevant data on this statement can be found throughout p.640-642.



phase was launched in 2005, has the potential to generate real reductions of industrial GHG emissions in a cost-effective manner and has already proved to do so to some extent. This report concludes that:

- the EU ETS has led to abatement measured by intensity improvements, also potential improvements were identified in phase I and II, and were implemented in the third phase (starting in 2013)
- the carbon price generated by the ETS has influenced business and investment decisions in several industries,
- the ETS and EU climate change policy will need to be measured in terms of its ability to accelerate the development of and investment in new low-carbon technologies

☞ ***Pricing Carbon: the European Union Emissions Trading Scheme. By A. Denny Ellerman, Frank J. Convery, Christian de Perthuis et al. (<http://mitsloan.mit.edu/newsroom/2010-ellerman.php>).***

This book is the outcome of a rigorous ex-post evaluation of the first phase of the EU ETS from 2005-2007 by a multinational team of academic researchers. It shows that while there were some teething problems, emissions were reduced during this trial phase by between 2 and 5% due to the ETS and that a mechanism was put in place that allows for more ambitious reductions over time. The team found that while the carbon price had reduced emissions, these reductions came through cost effective means and the EU ETS did not affect the location of companies. They also estimate that 50% of the reduction in emissions was from electric utilities increasing their use of natural gas, while the remaining 50% of reductions were due to changes in industrial plants (in the cement, iron, steel, glass, ceramics, and paper sectors covered).

## **9. Efficacy (and cost-efficiency) of market-based approaches under the UNFCCC**

In addition to information provided in document FCCC/KP/CMP/2008/INF.3, the EU wishes to share, through this submission, the following views on the Clean Development Mechanism and Joint Implementation.

### **a. Clean Development Mechanism (CDM)**

- i. The CDM has two purposes: it should assist developing countries in achieving sustainable development and help industrialized countries to reduce the costs of greenhouse gas abatement.
- ii. The CDM is currently a market with an estimated value of several billion Euros. Nowadays, more than 2.700 projects that reduce GHG emissions have been registered under the CDM and more are expected to be registered, with a total estimated potential for GHG emission reductions of 1 billion tCO<sub>2</sub>eq by the end of 2012. These projects have contributed to enhancing the cost-effectiveness of mitigation actions in general while putting a price on carbon and engaging the private sector in project activities in countries without a cap.
- iii. Analysis with integrated global assessment models has shown that both host and investor countries benefit from the use of the CDM. Depending on various assumptions, investor countries could reduce implementation cost of climate policies by 50 to 70% compared to pure domestic implementation, while host countries could benefit from

substantial climate policy related welfare gains (depending on the country, between 5 and 80% compared to pure domestic implementation of climate policy by developed countries)<sup>9</sup>. Moreover, some studies suggest that the CDM has been able to contribute significantly to technology transfer towards developing countries<sup>10</sup>. This can be considered as an important co-benefit associated with the implementation of GHG emission reduction projects in developing countries, which also assists them in achieving sustainable development. In this regard, the CDM has been a success in developing a new market for GHG emission reduction projects, in enhancing the cost-effectiveness of mitigation and in contributing to the sustainable development of developing countries.

- iv. The EU has always made it a priority to further improve the current flexible mechanisms and has proactively engaged in the international discussions for improving them.
- v. As an example, the EU has regularly proposed and defended measures during international negotiations to improve the regional distribution and the efficiency of the CDM, notably through the promotion of the use of standardized baselines, the enhancement of programmatic approaches, the institutional and administrative reform of the Executive Board, and the promotion of measures to increase the share of CDM projects in underrepresented countries. Moreover, the EU has included provisions in its domestic legislation that intend to address some of the identified deficiencies of the CDM with the aim of improving its functioning. For instance, there are some provisions that intend to support the development of CDM projects in LDCs (through promoting, in specific cases, the use of CERs under the EU ETS starting from 2013 to CERs generated by CDM project activities in LDCs). Finally, it is also worth mentioning that the EU has recently decided to introduce qualitative restrictions on the use of credits from industrial gas projects in the post-2012 EU ETS.
- vi. Even though the CDM has been instrumental in allowing developing countries to participate in the carbon market and providing financing for clean technology, the scope of the CDM is not sufficiently broad, covering a limited number of project types, and it is unevenly distributed across countries. The CDM alone will not be sufficient to mobilise climate investment to a level necessary to achieve the 2 degree target. Therefore, new market-based mechanisms<sup>11</sup> in addition to the CDM are essential to reach the necessary overall ambition.

---

<sup>9</sup> Öko-Institut, ZEW 2006: Long-term prospects of CDM and JI (<http://www.umweltdaten.de/publikationen/fpdf-1/3294.pdf>, p. 61-70)

<sup>10</sup> The contribution of the CDM under the Kyoto Protocol to technology transfer, UNFCCC (<http://cdm.unfccc.int/Reference/Reports/TTreport/TTrep10.pdf>)

<sup>11</sup> As detailed in the above mentioned EU submissions of February, March and April 2009, July 2010 and February 2011.

**b. Joint Implementation (JI)**

- i. Nowadays, more than 240 projects that reduce GHG emissions have been registered under the JI and more are expected to be registered, with a total estimated potential for GHG emission reductions of 250 million tCO<sub>2</sub>eq by the end of 2012. As for the CDM, JI has also led to putting a price on carbon and contributing to cost effectiveness of mitigation actions. A major impact of JI has also been capacity building, technology transfer and investments, supporting low-emission development of countries in transition.
- ii. The EU is open to any necessary improvements and reforms of the mechanism.

**PARAGRAPH 87: INFORMATION ON THE EVALUATION OF VARIOUS APPROACHES IN ENHANCING THE COST-EFFECTIVENESS OF, AND PROMOTING, MITIGATION ACTIONS, INCLUDING ACTIVITIES IMPLEMENTED JOINTLY UNDER ARTICLE 4, PARAGRAPH 2 (a), OF THE CONVENTION AND ANY OTHER RELEVANT ACTIVITIES, FOR SYNTHESIS BY THE SECRETARIAT**

---

Malaysia would like to propose that an in-depth review of actions by Annex I countries be conducted by a joint team of experts from developed and developing countries and reported back to the Conference of Parties (COP). Under the current market based paradigm, developed countries that have exhausted their own low-cost mitigation options may rely on low-cost mitigation options in developing countries to meet their obligations. This renders these options unavailable to developing countries forcing them to rely on remaining high-cost options. It is critical that the developed countries continue to lead the fight against climate change through cost-effective domestic emissions reductions.

**Предложения по оценке различных подходов по повышению экономической эффективности и расширению деятельности по смягчению**  
согласно параграфу 87 решения -/СР.16  
16-й сессии Конференции Сторон РКИК ООН

При формировании оценки подходов по повышению экономической эффективности основными направлениями деятельности по смягчению являются:

- установление количественных целей ограничения выбросов;
- разработка и реализация низкоуглеродных стратегий и планов технологического перевооружения экономики (включая механизмы поддержки экспорта низкоуглеродных технологий и технологий в сфере атомной энергетики, в третьи страны);
- реформирование внутреннего законодательства, содействующего значительному снижению удельных выбросов парниковых газов на ед. ВВП (меры в области повышения энергетической эффективности, использования возобновляемых источников энергии) и увеличению поглощения (стоков) CO<sub>2</sub> в результате мероприятий в лесном секторе;
- реализация рыночных инструментов регулирования (ограничения) выбросов парниковых газов и т.д.

Для разных стран с учетом национальной специфики (в том числе, уровня экономического развития, потенциала экономически обоснованного сокращения выбросов парниковых газов и других факторов) эффективность реализации тех или иных мер будет различной. В этой связи целесообразно с целью осуществления оценки подходов по повышению экономической эффективности мер, направленных на снижение антропогенного воздействия, разработать экономическую модель оценки эффективности тех или иных мер. Такая универсальная модель должна учитывать различные специфические страновые условия реализации мер по смягчению негативного воздействия на климатическую систему и основываться на индикаторах эффективности использования различных инструментов ограничения выбросов парниковых газов при их соответствующем ранжировании. Использование такой модели позволит странам принимать экономически целесообразные и эффективные решения в отношении приоритетов деятельности по смягчению антропогенного воздействия. Предлагаемый подход позволит эффективно использовать инструменты по ограничению выбросов не только на

национальном, но и на глобальном уровне – с учетом степени и направлений развития международных углеродных рынков проектов.

### **Предложения по созданию новых рыночных механизмов**

Все прогнозы роста выбросов парниковых газов диктуют необходимость участия как развитых, так и развивающихся стран в реализации политики и мер по ограничению эмиссий в целях стабилизации климатической системы. Использование действующих рыночных механизмов, обеспечивающих достижение сокращений выбросов при минимизации затрат, доказало свою эффективность (ожидается, что объем сокращений выбросов к концу 2012 г. превысит уровень в 1 млрд. т. CO<sub>2</sub>-экв.), но, очевидно, такие меры недостаточны после принятия решения Конференцией Сторон РКИК об ограничении роста приземной температуры в пределах двух градусов.

Необходимо дополнение действующих механизмов новым более масштабным инструментом, который бы обеспечивал создание экономических стимулов для массового перехода на низкоуглеродные технологии. Считаем целесообразным использование так называемого «секторального» подхода в качестве дополнительного рыночного инструмента ограничения выбросов при минимизации затрат. При реализации такого подхода необходимо обеспечить установление целей по ограничению выбросов в отдельных секторах (например, электроэнергетика, цементная промышленность, металлургия). Такие цели могут устанавливаться в абсолютных величинах (объем сокращения выбросов по отношению к базовому сценарию) или относительных показателях (сокращение объемов выбросов на единицу производимого продукта). При установлении абсолютных показателей торговля разрешениями на выбросы

может рассматриваться в качестве дополнительного стимулирующего фактора для привлечения инвестиционных ресурсов. В целях реализации секторального подхода необходимо принятие решений по:

1. согласованию принципов установления целевых показателей ограничения выбросов в том или ином секторе (эти показатели могут быть для разных стран различными как численно, так и по своему типу: абсолютные значения, удельные значения на единицу продукции, темпы снижения абсолютных и/или удельных выбросов и т.п.);

2. принятию методических рекомендаций относительно границ того или иного сектора. Базовый сценарий должен быть разработан на основании четко обозначенного перечня предприятий (с объемом выпуска соответствующей продукции), охватываемых данным сектором;

3. использованию соответствующих утвержденных методологий для оценки выбросов и минимально необходимого объема данных для построения базового сценария;

4. периоду выпуска и зачета сокращений выбросов, который должен быть достаточно длительным для запуска инвестиционного цикла и демонстрации сокращений выбросов, но не может быть очень длинным в связи с необходимостью достижения «климатических» эффектов в сжатые сроки;

5. обеспечению независимой международной верификации достигаемых результатов;

6. избежанию «двойного зачета» («double counting», к примеру, при возможном параллельном использовании действующих Киотских механизмов) сокращений выбросов в том или ином секторе;

7. обеспечению отсутствия так называемых углеродных «утечек» - переноса производства в страны, которые решат не участвовать в данном механизме в целом или не включают в него определенный сектор своей экономики. Необходимым является участие всех стран, имеющих крупных производителей в данном секторе.

Использование секторального подхода в качестве дополнительного рыночного инструмента ограничения выбросов позволит, по нашим оценкам, существенно увеличить масштабность реализуемых проектов и сократить транзакционные издержки (по сравнению с действующими инструментами углеродного финансирования) в развивающихся странах и в странах с переходной экономикой.

Более подробно детали использования такого подхода необходимо установить Решениями Конференции Сторон РКИК.

**Proposals for the evaluation of different approaches to improve economic effectiveness and expand mitigation activities**

*under paragraph 87 of the COP-16 Decisions  
The sixteenth Conference of the UNFCCC Parties*

In forming assessment of approaches to improve economic effectiveness the core mitigation activities are:

- establishing quantitative goals for emissions;
- development and implementation of low carbon strategies and technological rearmament of Economic (including mechanisms to support the export of low-carbon technologies and technologies in the nuclear energy sphere to third countries);
- reforming national legislation to facilitate a significant GHG emissions reduction per GDP unit (measures to improve energy efficiency, renewable energy) and increase in absorption (sinks) of CO<sub>2</sub> as a result of activities in the forestry sector;
- implementation of GHG emissions market-based management tools (restrictions), etc.

For different countries, taking into account national circumstances (including level of economic development, building economically sound to reduce GHG emissions and other factors) the effectiveness of the implementation of these measures will be different.

In this connection it is advisable to develop an economic model evaluating the effectiveness of various measures in order to carry out evaluation of approaches to improve the economic efficiency of measures aimed at reducing human impacts.

Such a universal model should takes into account different country-specific conditions for the implementation of measures to mitigate the negative impact on the climate system and be based on indicators of the effectiveness of using different



instruments to limit GHG emissions with their respective rankings.

Using such a model would allow countries to adopt economically useful and effective solutions regarding priorities to mitigate the human impact.

The proposed approach will allow efficient use of tools to control emissions not only nationally but also globally

- taking into account the degree and directions of international carbon markets projects.

### **Proposals for the establishment of new market mechanisms**

All forecasts of GHG emissions growth necessitate the participation of both developed and developing countries in implementing policies and measures to limit emissions in order to stabilize the global climate system.

Use of existing market mechanisms ensuring the achievement of emissions reduction while minimizing costs have proven it's efficiency (it is expected that the volume of emissions reduction will exceed 1 billion tons of CO<sub>2</sub>-eq by the end of 2012), but, obviously, such measures are not enough after a decision of the Conference of the Parties to the UNFCCC to limit the growth of surface temperature within two degrees.

Existing mechanisms must be supplemented by a new, more ambitious instrument that would provide economic incentives for the mass transition to low carbon technologies.

We consider it is appropriate to use so-called "sectoral" approach as an additional marketing tool for limiting emissions while minimizing costs.

When implementing such an approach it must ensure objectives for emissions reduction in specific sectors (for example, electricity, cement industry, metallurgy).

Such goals can be set in absolute terms (volume of emissions reduction with respect to baseline scenario) or in relative terms (emissions reduction per unit of product

produced).

While establishing the absolute parameters emissions trading can be considered as an additional enabling factor for attracting investment resources.

In order to implement a sectoral approach decisions must be made in the following areas:

1. harmonization of the principles of setting targets for emissions reduction in a given sector (these figures may be different for different countries, both numerically and in type: absolute values, unit values per unit of output, rates of decline of absolute and / or specific emissions, etc.);
2. adoption of guidelines regarding the boundaries in a given sector. The baseline scenario should be developed on the basis of a clearly defined list of enterprises (with output of relevant products), covered in this sector;
3. use of appropriate approved methodologies for estimating emissions and the minimum necessary amount of data for constructing the baseline scenario;
4. period of emissions reduction registration and offsetting, which should be long enough to start the investment cycle and demonstration of emissions reduction, but would not be very long due to the need to achieve " climate" effects in a short time;
- 
5. provide an independent, international verification of results achieved;
6. avoid "double offset" («double counting», for example, with a possible parallel use of Kyoto mechanisms) of emissions reduction in a given sector;
7. ensure the absence of so-called carbon "leakage" - transferring production to countries that choose not to participate in this mechanism as a whole or not include it in a particular sector of its economy. Participation of all countries with major manufacturers in this sector is necessary.

By our estimates, using a sectoral approach as an additional marketing tool for controlling emissions will significantly increase the scale of the projects and reduce transaction costs (compared with the existing tools of carbon finance) in developing countries and countries with economies in transition.

Details of such an approach should be established more detailed by decisions of the Conference of the Parties to the UNFCCC.

## **EVALUATION OF VARIOUS APPROACHES IN ENHANCING THE COST-EFFECTIVENESS OF, AND PROMOTING, MITIGATION ACTIONS**

### **Reference from the Cancun Agreement**

87. *Also invites* Parties and accredited observer organizations to submit to the secretariat, by 21 February 2011, information on the evaluation of various approaches in enhancing the cost-effectiveness of, and promoting, mitigation actions, including activities implemented jointly under Article 4, paragraph 2 (a), of the Convention and any other relevant activities, for synthesis by the secretariat.

### **Views from Saudi Arabia**

Saudi Arabia believes that it is very important to create a solid basis for evaluation of various approaches to mitigation actions. As the nature of the mitigation commitments from Annex I countries is different from the voluntary mitigation actions from developing countries, it also follows that the approaches for evaluation of cost effectiveness are not the same.

#### **Evaluation of Cost effectiveness for mitigation of Annex I Parties**

The goal of cost effectiveness is to find the optimal use of financial resources to carryout mitigation. In other words, the aim is to have the highest figures of emission reductions per cost incurred. The cost incurred from mitigation must include two components

1. The cost of carrying the mitigation action or policy within the Annex I country that is planning the reduction action or policy
2. The costs borne by developed country parties including the social and economic spillover impacts of the mitigation actions on developing countries (i.e. revenue loss, negative terms of trade, etc)

Annex I countries must provide detailed listing of all their mitigation actions and policies. Such listing must include a breakdown of costs (as described above) and the actual reduction of greenhouse gas planned or anticipated.

Cost effectiveness should be the main criteria for prioritizing and pursuing mitigation actions and policies by Annex I countries. There should also be an evaluation of scaling up of the actions and

policies that provide high cost effectiveness, prior to pursuing next actions with lower cost effectiveness.

### Evaluation for Developing Country Parties

As the mitigation actions in developing countries is different in nature, and is more in line with development plans and strategies, the selection criteria should be simple in order to encourage more contributions. Thus instead of evaluation of actions, there should be more encouragement and incentives to explore various mitigation and build knowledge and experience about various actions. Annex I countries should provide support for developing countries to enable and carry these actions, including financial support, technology transfer, and capacity building.

## **B. VENEZUELA'S PROPOSALS ON 1B5 CHAPTER**

National position:

It is far from proven that market mechanisms “promote” mitigation. They are simply a means for shifting the burden of mitigation from developed to developing countries (e.g. CDM). Indeed, there is considerable evidence that market based approaches, including existing emission trading schemes, have failed on many of their stated objectives including additionality and even net emissions reductions. The market approaches could potentially risk “undermining” rather than “promoting” mitigation. Article 3.3 of the convention (dealing with cost-effectiveness) clearly requires Parties to undertake measures that are “precautionary”. Many of the approaches proposed by developed countries in Cancun, however fail to satisfy this requirement.

The BAP refers to “markets” not to “international carbon markets”, which are an issue addressed under the Kyoto Protocol. Parties are welcomed to discuss the role of national markets in helping to promote mitigation. All issues relating to international carbon markets should be addressed in the KP to avoid duplication and ensure consistency with the agreed negotiating mandates.

The approaches to be developed in this Chapter (1b5), should be related to the provisions under Article 4, paragraph 3 and 7 and Article 11 of the Convention, regarding the fact that Annex II Parties shall provide new and additional financial resources to meet the agreed full incremental costs of implementing measures that are covered by Article 4, paragraph 1, of the Convention.

The Bolivarian Republic of Venezuela request the formal consideration and discussion of the following non market based approaches to enhance the cost-effectiveness of, and to promote, mitigation actions:

### **1.- Changes in consumption patterns**

Bearing in mind different circumstances of developed and developing countries, the developed country Parties and other developed Parties included in Annex II, shall undertake policies and measures to substantially modify consumption patterns in all relevant sectors, in order to demonstrate that developed countries are taking the lead for modifying longer-term trends in anthropogenic emissions consistent with the objective of the Convention, and are sufficient to achieve an aggregate reduction of anthropogenic carbon dioxide equivalent emissions from domestic sources of greenhouse gases of more than [ X ] below 1990 levels by 2020, under the Kyoto Protocol.

These programs should be aligned and coordinated with definitions of the 10 YFP under the Marrakesh Process, to promote the development of specific set of actions and measures regarding climate change.

## **2.- Removing barriers associated with intellectual property**

With the objective of promoting mitigation actions, including the improving of their cost-effectiveness, the Parties shall ensure that intellectual property rights and agreements shall not be interpreted or implemented in a manner that limits or prevents any Party from taking any measures to promote mitigation of climate change. The Parties agree to undertake a range of measures including:

- a) Creation of global pools for goods and technologies to promote mitigation of climate change.
- b) Use of full flexibilities contained in the Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement, including compulsory licensing;
- c) Differential pricing between developed and developing countries;
- d) Reviewing all existing relevant intellectual property rights regulations in order to provide significant information to remove the barriers and constraints affecting environmentally sound technologies;
- e) Promoting innovative intellectual property rights sharing arrangements for joint development of environmentally sound technologies; and
- f) Limited/reduced time patents on climate-friendly technologies.

Developed country Parties and other developed Parties included in Annex II shall take all practicable steps to ensure that intellectual property rights are interpreted and applied in a manner that promotes, and ensures the cost-effectiveness, of mitigation actions in developing country Parties.

## **3.- Enhancing endogenous capacities and technologies in developing countries**

With the objective of promoting mitigation actions, and in pursuance of Article 4.3 of the Convention, developed country Parties shall support the development and enhancement of endogenous capacities and technologies of developing country Parties through a program of action in all relevant sectors, including energy, transport, industry, agriculture, forestry and waste management sectors, to transfer relevant scientific, technological, technical, socio-economic and other information, knowledge, know-how, practices, processes and technologies relevant to mitigating climate change at developing countries.

## **4.- Education**

Developed country Parties and other developed Parties included in Annex II, shall take all practicable steps to promote, facilitate and finance efforts by and in developing countries in the fields of education, training and public awareness related to climate change as one cost-effective mechanism to enhance and to promote mitigation actions in developing countries.

---