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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

**Ad Hoc Working Group on Long-term Cooperative Action
under the Convention
Fifteenth session, part two
Doha, x November 2012–***

Agenda item 3(b)(v)

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

Views on a framework for various approaches

Submissions from Parties

Addendum

1. In addition to the 12 submissions contained in document FCCC/AWGLCA/2012/MISC.4 and the two submissions contained in document FCCC/AWGLCA/2012/MISC.4/Add.1, four further submissions have been received.
2. 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 session will be held in conjunction with the eighteenth session of the Conference of the Parties. The opening and closing dates of the fifteenth session, part two, of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention will be determined in due course.

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

**SUBMISSION BY THE
PLURINATIONAL STATE OF BOLIVIA**

**Enhanced action on mitigation, various approaches, including opportunities
for using markets, to enhance the cost-effectiveness of, and to promote,
mitigation actions, bearing in mind different circumstance of developed and
developing countries**

**THE DEVELOPMENT OF THE
CLIMATE JUSTICE ENTITY AND ITS MECHANISMS**

The climate debt¹

It is stated that cumulative global emissions have been of about 1.214 Gtons in between the years 1850 to 2008. From about this, Annex I countries accounted for 878 Gton, which means the 72% of the total. Taking into account that their share of population was of nearly 25%, their fair CO2 emission share was 310 Gton and their overuse or carbon debt was of about 568 Gton. Also, non-Annex I countries accounted for 336 Gton meaning the 28% of the total of CO2 emissions, representing a fair emissions share of 904 Gton or an underuse of 568 Gton of CO2 emissions.

Taking previous data into consideration, a 67% of probability of limiting temperature rises to within 2 degrees in between the years 2010 to 2050 must be kept CO2 emissions to below 750 Gtons. This means, first, that Annex I countries should emit only 120 Gton of CO2 emissions considering that they encompasses only 16% of the world's population, and if taking into account their carbon debt of 568 Gtons, total emissions of developed countries should be negative of about -448 Gton. Second, if the population of developing countries represents 84% of the world's total population, then their fair share should be of 630 Gton, and if including carbon debt their total emission increases to 1.198 Gton of CO2 emissions.

Equity: the way forward

Equity in the context of climate change means the sharing of the atmospheric space and of the development space according to the complementarity of rights and obligations. The equity principle in UNFCCC should be understood as following: i) that developed countries take the lead in emission reduction; ii) that developing countries have development imperatives, and their ability to undertake climate actions depend on the extent of support (financial and technology) they receive from the developed countries; and iii) that, in addition, Annex I countries will also meet the agreed full incremental costs of implementing developing countries' climate policy measures.

The objective of the UNFCCC is to stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. Also, it is stated in the objective of the Convention that such a level should be achieved within a time frame

¹The data in this section has been taken from the following document: "The equitable sharing of atmospheric and development space: Summary". Martin Khor. Climate Policy Brief South Centre.No. 4. December 2010.

sufficient to allow ecosystems to adapt naturally to climate change, to ensure that food production is not threatened, and to enable economic development to proceed in a sustainable manner.

Therefore, equity should be properly understood as the right to development of both developed and developing Parties taking fully into account the rights of Mother Earth to adapt naturally to climate change, considering that these rights should be considered as compatible and complementary.

Then, the challenge of equity considering a world global carbon budget is related to determining how much more emissions should be allowed between now and 2050, and also how that budget should be allocated especially between developed and developing countries. This discussion implies the following aspects:

- The allocation of carbon space should be carried out according to the rights to development of Parties and to the rights of Mother Earth to adapt naturally to climate change, then taking fully into account the limits of the stock of CO₂ allowed in the atmosphere. This means giving environmental and developmental space to developing countries.
- Strong and immediate commitments for developed countries to reduce GHG and a system of control of compliance, including effective support (finance and technology transfer) to developing countries.

The constitution of the Climate Justice Entity

The Climate Justice Entity is a strategic tool for the implementation of the equity principle based on a non-market approach, which implies the establishment of a United Nations organizational structure for carrying out the compensatory payment of developed countries to developing country Parties. The debt has to be repaid in terms of finance and technology transfers to developing countries, plus ensuring that no new debt is being created from now onwards.

The payment of the climate debt by developed countries as the main responsible of climate change has been the principal message of People's Accord from the World People's Conference on Climate Change and Mother Earth Rights, which it has been held in Bolivia in the year 2010 gathering more than 30.000 people worldwide.

In this context, the Climate Justice Entity is a key organization regarding the various approaches to promote mitigation actions considering the Durban Decision 2/CP.17 paragraphs 79 and 89, which emphasizes that various approaches to enhance the cost-effectiveness of, and to promote, mitigation actions, and urges developed country Parties to assist developing country parties to promote economic diversification in the context of sustainable development.

The objectives of the Climate Justice Entity are oriented to effectively address the key issues of climate justice in climate change, which are the following:

- a) To promote mitigation and adaptation to climate change based on processes and dynamics of non-commercialization of eco-systemic functions of Mother Earth.

- b) To support the actions of developing countries for the construction of a model of sustainable development in harmony and balance with Mother Earth, promoting climate and environmental responsibility in public and private actors.
- c) To implement transfers of finance and environmentally-sound technology from developed to developing countries helping developing countries to decouple conventional economic growth from emissions growth.

The Mechanisms of the Climate Justice Entity

The Climate Justice Entity is composed by a set of three Mechanisms that are oriented to operationalize the payment of the climate debt from developed countries to developing country Parties, as follows:

The Joint Mitigation and Adaptation for the Integral and Sustainable Management of Forests

It is aimed to improve the integral management of forest resources as a basis for the provision of support to local and indigenous people to manage their forests, and forest landscapes, in sustainable ways.

This non-market based approach has been established in the paragraph 67 of the decision 2/CP.17 in the context of the discussion of the policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries

This Mechanism consists of the following aspects:

- Development of a holistic approach including mitigation and adaptation and as well as the overall linkages between forests and climate change.
- Transference of finance and technological support oriented to the reduction of deforestation and forest degradation through the integral and sustainable management of forests.

The current framework of the Convention regarding forestry is oriented to tackle separately both mitigation and adaptation issues, and has not fully considered the possibilities to embrace the integral management of forests as systems of life and forest' landscapes that generate sustainable landscape dynamics. It is considered that this alternative vision of forests and the social organization of forest dependent people constitute fundamental elements for the development of forest governance systems which have the objective of creating climate friendly and resilient economies while meeting peoples' sustainable livelihoods.

The Mitigation Mechanism

It is oriented to improve the efforts of national countries in a voluntary basis in order to support the reduction of emissions of greenhouse gases concentrations, emphasizing economic and productive sectors. It considers that the ability of developing countries to undertake climate actions depend on the extent of support they receive from the developed countries.

It is a non-market based Mechanism aimed to support developing country Parties, especially those that have to reduce emissions according to the carbon budget while maintaining their economic growth.

The Mitigation Mechanism consists of the following components:

- Assessment of developing country Parties' mitigation needs and impacts.
- Addressing mitigation needs of Parties according to “sustainable levels” of emissions².
- Coordination from the Convention.

Therefore, it considers that financial and technological transfer to support public and private sectors reducing emissions of greenhouse gases concentrations, and emphasizing the economic and productive sectors, including their ability to undertake climate actions depend on the extent of support they receive from the developed countries.

The Adaptation Mechanism

This Mechanism takes into account the fact that people who have contributed less and those who the least capacity will be the most affected by the climate change. It is the responsibility of the historically responsible for climate change, in accordance with relevant principles and provisions of the convention, to support and rehabilitate developing countries in addressing climate impacts. The adaptation should be very much focused in developing resilient livelihoods in developing countries and ensuring to sustain food production yields.

It is a mechanism oriented to support developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change, to build respond to climate impacts and building adaptive capacity and to be supported for loss and damage resulting from climate-related slow onset events, including glacier melt.

The Adaptation Mechanism consists of the following components:

- Assessment of developing country Parties' adaptation needs and impacts.

² The discussion about the meaning of a “sustainable level” of emission is undertaken in page 2 of the following document: “The equitable sharing of atmospheric and development space: Summary”. Martin Khor. Climate Policy Brief South Centre.No. 4. December 2010. The main discussion is as follows: Having equal emissions per person or country, though at first sight a good principle, in fact would not result in an equitable outcome, as countries and persons have different capacities as a starting point. Thus, if a level of 1 ton per capita is chosen as a “sustainable level”, they have the capacity to reach this level while retaining present levels of per capita income. However a country that now has a per capita emission of 1 ton of emissions or below may retain that level and not be able to climb up the income scale, so that its economic level remains low. Also, developing countries that are currently at moderate emission levels of 3-8 tons per capita would find it difficult to reduce their emissions and maintain economic growth. Thus, to oblige the different countries to have the same per capita emission level (say, by 2050) would be to “lock in” the economic disparities. On the other hand, the concept of per capita emissions equity is a useful one, if all countries are at the same or similar levels of development. One possible approach is to retain the aim of having an equal per capita emission by a certain year, but to provide countries with coefficients. Thus a country that is much poorer and lacks in infrastructure and technology could have a “multiplier” of 5 or 10 to apply to its coefficient of 1.

- Addressing adaptation needs and losses due to climate change impacts, including through a rehabilitation and compensation fund.
- Coordination from the Convention.

The Adaptation Mechanism will also facilitate measures to support appropriate actions to address climate change induced displacement, migration, and planned relocation, where appropriate, at the national, regional and international levels.

Methodological aspects of the Climate Justice Entity and its Mechanisms

The Climate Justice Entity considers that developed countries take the lead in reduction of emissions and that developing country Parties undertake mitigation actions contingent upon the evaluation of performance of developed countries in climate change, according to actions of mitigation (domestic actions) and actions of adaptation (transfer of finance and technology to developing countries).

The Climate Justice Entity implies the consideration of the following methodological issues:

Monitoring, reporting and verification (MRV) for developed countries

Developed countries are committed to fulfill their obligations since they expect that developing countries should undertake as soon as possible higher commitments of mitigation, and developing countries are committed to fulfill their obligations since they receive financial and environmental-sound technological transfers in order to developed mitigation actions. Therefore, a system of MRV for developed countries regarding the transference of finance and technology is needed in order to set up the Climate Justice Entity.

Joint mitigation and adaptation plans

In order to foster the payment of the climate debt by developed countries to developing country Parties in a transparent way it is necessary the establishment in a voluntary basis, while respecting fully national sovereignty of developing country Parties, of a framework of mitigation and adaptation national goals, by which joint mitigation and adaptation plans in developing countries may be established. For doing this, the Climate Justice Entity will foster to combine in a unique and simplified instrument both NAMAs (National Appropriate Mitigation Actions) and NAPAs (National Adaptation Programs of Action).

MRVs including joint mitigation and adaptation criteria

Developing country Parties will establish a simplified and voluntary system of Monitoring, Reporting and Verification (MRV) including joint mitigation and adaption indicators. This should be undertaken in order to evaluate the national progress in reaching the mitigation and adaptation goals included in the national plans.

Setting up the organizational framework

The Climate Justice Entity will be developed taking into account a simplified and flexible organizational structure. It will be assessed the restructuring of the Adaption Fund in order to become a part of this new entity.

Provision of financial support

The provision of financial support is without doubt the most important task to be fulfilled by the Climate Justice Entity through new, additional and reliable funding that will come from a variety of sources, public and private (outside the markets). The funding of mitigation and adaptation actions in developing countries should be developed in a direct, expedite and immediate way according to national plans and priorities, fully respecting the sovereignty and national capacities of developing countries. It also considers the prior funding of results-based actions.

Future actions for the constitution of the Climate Justice Entity

The Climate Justice Entity is important to operationalizing the principles of equity and common but differentiated responsibilities of the UNFCCC. The constitution of this entity allows developed countries to take the lead in emission reduction and support the ability of developing countries to undertake climate actions depending on the extent of support they receive from the developed countries. Also, the set of Mechanisms embedded in this entity are key instruments to articulate mitigation, adaptation, financial, technology and capacity building benefiting developing countries.

Therefore, the design and implementation of the Climate Justice Entity must be one of the major efforts to set up equity as the centerpiece of climate change.

The following actions should be undertaken in order to advance the design and implementation of the Climate Justice Entity along with its Mechanisms.

a) In the context of the LCA Working Groups is important to move forward a decision about the constitution of the Climate Justice Entity and its Mechanisms.

- The Joint Mitigation and Adaptation Mechanism for the Integral and Sustainable Management of Forests.
- The Mitigation Mechanism.
- The Adaptation Mechanism.

b) The Workshop Program as referred to in paragraph 80 of decision 2/CP.17 should provide the scenario for the development of the Climate Justice Entity and its Mechanisms, considering the following issues:

- A road map to prepare the way forward with the design and implementation of the Entity and its Mechanisms, considering that they should be designed during the year 2013 and fully implemented in the year 2014.
- Definition of the organizational structure of the Climate Justice Entity and its Mechanisms.
- Definition of the methodological issues resulting from the combination of NAMAs and NAPAs.
- The establishment of a system of MRV considering both mitigation and adaptation criteria and indicators.
- Setting up the relationships between the Climate Justice Entity, including its Mechanisms, and the Green Climate Fund.

SUBMISSION BY CYPRUS AND THE EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION AND ITS MEMBER STATES

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

Nicosia, 09/07/2012

Subject: Enhanced action on mitigation, 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
Work Programme for the Framework for Various Approaches (issues related to para 79-80 of Decision 2/CP.17)

Context

1. The EU welcomes progress made in Durban on various approaches, including opportunities to using markets. The definitions of New Market Mechanisms (NMM) as well as the establishment of a work programme to consider a framework for various approaches were important steps forward.
2. Following the session in Bonn last May, Parties and admitted observer organisations were invited to submit their views on the Framework and on NMM under Various Approaches (agenda item 3(b)(v)) by 6th July 2012. The EU welcomes this opportunity. This submission will focus on paragraphs 79 and 80 of the Durban Decision 2/CP.17, and should be considered in conjunction with EU's submissions on NMM.

Considerations

3. The EU supports the creation of a rules-based NMM agreed under the UNFCCC. Modalities and procedures for the NMM (described in the EU's submission on NMM) should include a common, core set of rules to ensure environmental integrity.
4. Paragraph 79 calls for standards to be used under various approaches in order to 'deliver real, permanent, additional and verified mitigation outcomes, avoid double-counting of effort and achieve a net decrease and/or avoidance of greenhouse gas emissions'. In order to ensure comparability and environmental integrity, the EU's view is that these international standards should be the same and ensure the same level of environmental integrity as those developed for NMM, and should build on lessons learned from the Kyoto Protocol flexible mechanisms.

5. In order to preserve environmental integrity, comparability and avoid double-counting, standards should form part of a rigorous, robust and transparent common accounting and MRV framework to be agreed in the UNFCCC. Such a framework would:
 - Enable ex-ante transparency of rules;
 - Ensure comparability, through the use of common standards;
 - Create trust through robust and credible assessment, approval and verification processes, ensuring that there is a net decrease of greenhouse gas emissions;
 - Avoid double-counting through the transparent reporting of how a Party is meeting its commitments, as well as through the use of registries and a unit tracking system;
 - Promote investments in mitigation activities, including for Parties who wish to use trading as a cost-effective way of reducing emissions.

Work programme for the framework

6. Paragraph 80 requests to ‘conduct a work programme to consider a framework for such approaches, with a view to recommending a decision to the Conference of the Parties at its eighteenth session’.
7. In light of both paragraphs 79 and 80, the EU’s view is that this work programme could address the following questions:
 - How do we decide which approaches and which emission reductions should be included in the framework?
 - How do we design a framework that encompasses both market and non-market approaches, such as HFCs under the Montreal Protocol?
 - How do we ensure a net decrease of greenhouse gas emissions?
 - How do we best avoid double counting of effort?
 - How do we ensure that a tonne reduced in one country is the same as a tonne reduced in another country, and that all emission reduction efforts under various approaches are additional?
 - How do we ensure that a tonne reduced under the Framework is the same as a tonne reduced under the NMM?
 - What standards and procedures should apply for the issuing, tracking, and trading of emission reduction units?
 - What process to monitor, report and verify mitigation outcomes achieved under various approaches ? What additional processes would be needed for market-based approaches?
 - Should a framework promote sustainable development? And how?
 - What role for the UNFCCC?
 - Should there be some eligibility criteria to enable Parties to participate in the Framework?
 - How is this work taken forward when the LCA closes in Doha?

Paper no. 3: Ecuador

Submission of views by Ecuador

Quito, July 10th, 2012

Subject: Submission of views by Parties and admitted UNFCCC observer organizations on the matters referred to in paragraphs 79 and 80 of decision 2/CP.17, including their experiences, positive and negative, with existing approaches and mechanisms as well as lessons learned.

(Decision 2/CP.17, paragraph 81)

Context:

1. Ecuador welcomes the opportunity to consider a framework for various approaches insofar as it can introduce coherence, coordination and transparency for new market and non-market mechanisms for mitigation to be recognized under the UNFCCC.
2. Ecuador believes strong emphasis must be placed on the development of a comprehensive work program for consideration of a framework for various approaches which addresses the concerns expressed by developing and developed country parties at the Workshops on the New Market Mechanism (NMM) and the Framework for various approaches carried out in Bonn in May 2012, and which builds upon the proposals there presented.
3. This Submission must be regarded together with previous Submissions by Ecuador on the Net Avoided Emissions (NAE) mechanism.

Considerations for a framework of various approaches:

1. A framework needs to accommodate the various approaches proposed by parties to the extent that they are in accordance with the principles and objectives of the Convention and that they present comparable environmental integrity standards for compliance with developed country party commitments under the Kyoto Protocol and commitments under future instruments of the UNFCCC.
2. A framework for various approaches should tend both to market and non-market mechanisms for mitigation in a balanced manner.
3. The role played by the framework should include: considerations on the standards for environmental integrity of the units to be used for UNFCCC compliance; rules for fungibility of units from various approaches and the possibility for differentiation and/or added value for emission avoidance and sustainable development outcomes; principles for Monitoring Reporting and Verification (MRV) and a platform for transparent information reporting; and, matters of registry and avoidance of double-counting of efforts.
4. The work program should envision clarifying the role of the framework as related to the NMM and to non-market approaches in order to avoid overlapping of responsibilities and ensure coherence and efficiency of the institutional arrangements.

New Zealand submission to the Ad Hoc Working Group on Long-term Cooperative Action under the Convention

Further views on various approaches, including opportunities for using markets, to enhance the cost-effectiveness of, and to promote, mitigation actions.

July 2012

Introduction

1. Parties agreed at the recent meeting of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention that Parties, and admitted observer organizations, would submit to the secretariat further views on the matters referred to in decision 2/CP.17, paragraphs 79-80 and 83-84, as well as the matters referred to in decision 1/CP.16, paragraphs 80 and 84, including lessons learned, with suggestions for focused discussion.

2. This submission responds to that invitation, focusing on the framework approach. It complements and should be read in conjunction with New Zealand's previous submission on the framework approach (FCCC/AWGLCA/2012/Misc.4 refers).

Context

3. The CDM and JI are existing market mechanisms developed under the UNFCCC, and a decision was made in Durban to define a further new market mechanism. There is also discussion of developing non-market mechanisms. Separately a wide range of market mechanisms are being established or developed at sub-national, national and regional levels independently of the UNFCCC. These include emissions trading schemes in the EU, New Zealand, California and Korea, provincial pilots in China, and Australia's carbon pricing mechanism. In the near future many more such schemes are likely to be created in both developed and developing countries. This will increase the complexity of international carbon trading. There is an important and time-limited opportunity now to better coordinate the international carbon market and increase consistency - to avoid a risk of fragmentation, and with it an increased risk of double-counting.

4. There is currently no framework to manage the interface between the UNFCCC and mechanisms being developed independently. New Zealand believes Parties need to show leadership on how the UNFCCC can facilitate the recognition of non-market mechanisms and market mechanisms developed at sub-national, national and regional levels outside the UNFCCC. Understanding the methods and standards that such mechanisms use to assure environmental integrity and prevent double-counting will provide greater confidence in their use.

Definitions

5. Decision 2/CP.17, paragraphs 79-80, states that various approaches must meet standards that deliver real, permanent, additional and verified mitigation outcomes, avoid double-counting of effort, and achieve a net decrease and/or avoidance of greenhouse gas emissions. Together these elements provide assurance of the environmental integrity of units generated and traded.

6. First it is useful to build a common understanding of what these terms can mean:

- **‘Real’** – Real mitigation entails mitigation that represents one tonne of carbon dioxide equivalent emissions that have been reduced or sequestered. In many mechanisms this is done through the use of baselines to compare emissions before and after mitigation activity has occurred. Baselines can be generated using business-as-usual scenarios and from historical production information of a particular industry or business.
- **‘Permanent’** – Permanent reductions are those which are not easily reversible.
- **‘Additional’** – Additional reductions are those reductions which would not have happened without market-based incentives. Project-specific additionality is determined by evaluating a project against a range of alternative scenarios. Alternatively standardised additionality criteria based against country-specific laws, regulations, standard practice and technology availability can be used. Given the range of country-specific factors that need to be taken into account, additionality is ultimately a subjective measure.
- **‘Verifiable’** – This requires emission reductions to be confirmed and certified by a different body to that undertaking the emission reduction activity. This can include verification by a domestic body, an international body or an independent third party.
- **‘Avoid double counting of effort’** – Avoiding double counting means that the reductions generated through a mechanisms which are then sold are not counted by both the purchaser and the seller towards a commitment, target or national policy goal.

7. It is important to note that each of these terms does not have a precise definition, and that the above information is merely illustrative. In New Zealand’s view it is not productive to try and absolutely define these terms. Rather, methods that allow for different approaches to standards for these elements will help ensure maximum uptake and a focus on environmental integrity. There is value in looking at how existing mechanisms approach these requirements.

Current Approaches to ‘Real, Permanent, Additional and Verifiable’ (*Integrity of Generation*)

8. Existing market mechanisms, including the Kyoto Protocol flexible mechanisms, domestic cap and trade schemes and mechanisms in the voluntary market, all aim to meet environmental integrity criteria but do so in different ways. While the examples below may not be applicable in all circumstances to all Parties, and the list is by no means exhaustive, it illustrates that using various approaches to standards to achieve environmental integrity is not a new or revolutionary concept.

- **National Reporting and Inventories:** One foundation for emissions reductions is a country’s national greenhouse gas inventory. The environmental integrity of that inventory will affect the integrity of units generated and subsequently traded. The UNFCCC already requires inventories and national reporting to be based on IPCC methodologies, providing flexibility in the choice of method to reflect national circumstances. The design and development of each methodology is peer-reviewed through the IPCC, and for Annex I Parties to the UNFCCC each inventory is reviewed - providing assurance to other Parties of the integrity of the inventory. In the future the International Consultations and Analysis (ICA) process for biennial update reports from developing countries should provide this same assurance for inventories from developing countries.

Ultimately, if a country can show through its peer-reviewed inventory that a unit generated is ‘real, permanent and additional’ and this can be verified independently, this is an assurance of its environmental integrity. Regular peer-reviewed reporting in a common framework provides transparency and confidence of the emissions reductions behind the credits generated.

- **Kyoto Protocol flexible mechanisms (CDM, JI):** The CDM currently uses baselines based on accepted methodologies to determine whether individual projects have reduced emissions. The CDM also uses verification by both the designated operational entity in the host country of the CDM project, and through the CDM Executive Board during the issuance of units.
- **Emissions trading schemes:** Domestic emissions trading schemes, like the New Zealand Emissions Trading Scheme (NZ ETS) and the European Union Emissions Trading Scheme (EU ETS), use baselines to measure emissions reductions to ensure they represent real reductions. The use of baselines also assists with determining additionality. Schemes also have systems of review and verification.

Schemes necessarily differ in design or philosophy to account for the different political, economic, social and environmental contexts of the countries participating. Even though they are designed differently, they still achieve real emissions reductions. Peer review of some or all of the design elements can lead to additional improvements and increase confidence in the integrity of the system.

- **Carbon Action Reserve (CAR)** is a national offsets programme that works to ensure integrity, transparency and financial value in the US carbon market. It does this by: establishing regulatory-quality standards and methodologies for the development, quantification and verification of GHG emissions reduction projects in North America; issuing carbon offset credits; and tracking the transaction of credits using a transparent, publicly accessible system.
- **Verified Carbon Standard (VCS)** is a greenhouse gas accounting standard used in the voluntary carbon offset industry. Under this standard, emission reduction projects must use approved methodologies to show how reductions or removals have been undertaken in a measureable way. They must also exceed business as usual scenarios, which indicates their additionality. Projects must be independently verified to ensure they represent real emissions reductions.
- **ISO 14064 (1-3):** These standards provide information on the requirements for designing, developing, managing and reporting greenhouse gas inventories, developing emission reduction projects and verifying these emissions reductions at the organisation or company level. The standard also forms the basis of some of the standards used in the voluntary market, such as the Carbon Trust Standard.
- There are a range of other standards operating in various countries and regions.

9. These standards and methodologies have similar principles at their core and thus there is some consistency between them. What they also show is that there is no single way to determine the robustness of emissions reductions and environmental integrity. Similar outcomes can be achieved using a variety of pathways.

Avoidance of Double Counting (*Integrity of Transfer*)

10. After a unit is generated, its integrity needs to be maintained when it is transferred (perhaps multiple times) between individuals and companies domestically and between countries. Each participating country will need a national registry to record units and track transfers. This requires each registry to assign a unique identifier to the unit and to record each transaction when the unit changes hands. Each registry needs appropriate security mechanisms to prevent fraud and to maintain the integrity of its systems.

11. When units are transferred between countries, each country's registry needs to clearly record that transaction and ensure that the origin of the unit remains easily identifiable. International registries, such as the International Transaction Log (ITL) or similar tracking mechanisms, can be used to help track international transfer of units. This is especially important if the unit is to be used later in the UNFCCC.

Role of Transparency

12. Transparency is crucial in building confidence in the environmental integrity of unit generation and trading. Parties need to be open about what units they are generating, what mechanisms they are using to generate those units, the standards and/or methodologies they are based on, and declare and explain any variations they have made to account for specific national circumstances (as is currently done for national inventories using IPCC methodologies). New Zealand believes Parties should also consider peer review of their methodologies to provide added assurance of their robustness. Similarly the adequacy and robustness of national registries should be open to peer review.

A Possible Way Forward

13. With the AWG-LCA due to close (as decided in 1/CP17), New Zealand believes that a decision in Doha is needed on a process and appropriate forum to continue practical and technical discussions on how the UNFCCC can facilitate the recognition of non-market and market mechanisms developed at sub-national, national and regional levels. Those discussions should be based on real-world examples of the mechanisms being created in developed and developing countries. To that end, and to increase transparency, New Zealand believes Parties should be asked as an initial step to submit information on the mechanisms they have developed or are developing, and to highlight how the elements of each mechanism combine to represent environmental integrity and are consistent with international practice.

14. In New Zealand's view, time in Bangkok should be devoted to exploring how the various existing mechanisms deliver mitigation that is real, permanent, additional and verified, and avoids double-counting. Commonalities and differences could be identified. What are the challenges and opportunities from using these standards and methodologies? Lessons could be drawn to assist countries considering using market mechanisms in choosing between different approaches to standards, and to consider how to adapt them to their national circumstances whilst ensuring consistency of outcomes. Opportunities for linking the various approaches could also be considered.
