

4 October 2011

English only

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Subsidiary Body for Scientific and Technological Advice

Thirty-fifth session

Durban, 28 November to 3 December 2011

Item 7 of the provisional agenda

Subsidiary Body for Implementation

Thirty-fifth session

Durban, 28 November to 3 December 2011

Item 10 of the provisional agenda

Forum on the impact of the implementation of response measures at the thirty-fourth and thirty-fifth sessions of the subsidiary bodies, with the objective of developing a work programme under the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation to address these impacts, with a view to adopting, at the seventeenth session of the Conference of the Parties, modalities for the operationalization of the work programme and a possible forum on response measures¹

Further views on the elements for the development of a work programme and a possible forum on response measures

Submissions from Parties and relevant organizations

Addendum

1. In addition to the 5 submissions contained in document FCCC/SB/2011/MISC.4, two 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.

¹ Decision 1/CP.16, paragraph 93.

* These submissions have 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 texts as submitted.

Also made available at <<http://unfccc.int/5901.php>> and <<http://unfccc.int/5902.php>>.

FCCC/SB/2011/MISC.4/Add.1

GE.11-63926

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SUBMISSION BY SAUDI ARABIA

Submission of further views on the elements for the development of a work program for the Forum on the Impacts of the Implementation of Response Measures, to address these impacts and a possible forum on response measures

Saudi Arabia welcomes the invitation to Parties to submit further views on the elements for the development of a work program for the Forum on the Impacts of the Implementation of Response Measures, to address these impacts and a possible forum on response measures.

The mitigating response measures to combat climate change have obvious and substantial adverse social and economic dimensions. The developed country Parties should be mindful of all developing countries' overriding economic and social priorities, and as such are reminded of their obligations to minimize the impacts of any policies and measures they implement on developing country Parties, particularly those countries identified in Article 4, paragraphs 8 and 9, of the Convention.

Most developing countries lack the capacity to assess the scope and magnitude of the adverse consequences of the implementation of response measures on their own. It is therefore imperative to have a Permanent Forum that would offer a continuous venue for dialogue and space for discussion and participation by experts, civil societies, NGO's and IGO's. Such a Permanent Forum would be able to carry out a detailed work program to assign specific tasks to the SB's and review progress on the implementation. This permanent forum should meet four times annually and be able to organize relevant events and activities.

A detailed work program for the Forum should follow a structured approach under the following categories:

1. Examining the Policies

- Modeling the different policies including; modeling tools, assumption, and cost analysis.
- Arranging bilateral and multilateral dialogue on the findings and compare modeling results
- Reporting on modeling efforts and dialogue
- Evaluate & analyze different economic modeling (best option for each of differing case of developing countries vulnerabilities)
- Further understanding and careful evaluation needed of the inter-linkages.

2. Examining the Impact

- Assessment of the impacts of the mitigation policies on different economic sectors and social groups, and the measures needed to address these impacts.
- Developing socio-economic assessment of the potential impacts on health, employment and incomes, gender and migration.

- Addressing the adverse impact of unilateral trade measures against goods and services from developing countries, such as subsidies, free allowances, border tariffs adjustments.
- Examining the adverse spillover effects of trade and market barriers on the social, environmental, and economic and investment opportunities, in developing countries.
- Assessment of the effects and costs of shifting production and export patterns on vulnerable economies.
- Examining the impacts of eco-trade barriers on the supply chain of production, export, and procurement patterns from developing countries.
- Addressing the impacts of policy measures such as border carbon adjustment schemes on the social and economic growth at the exporting developing countries, which should include studying certain affected industries, export opportunities, and workers at these sectors.

3. Reducing the Impact

- Promoting policies that minimize any potential consequences of the mitigating response measures on developing countries;
- Greater emphasis should be given to climate policies that have larger associated benefits in terms of poverty reduction and social protection.
- Promoting a supportive economic system leading to sustainable economic growth and development in the developing countries.
- Progressive reduction of market imperfections, fiscal incentives, tax and duty exemptions and subsidies in all greenhouse gas emitting sectors; and the removal of subsidies associated with environmentally unsound and unsafe technologies.
- Enabling access for developing countries, and ensure that intellectual property rights (IPRs) do not become a barrier to transfer of climate friendly technologies.
- Promoting foreign direct investment in developing countries to improve the global allocation of resources and encourage transmission of technology across international borders.
- Developing risk sharing mechanisms regarding loss of income and strengthening developing countries' social protection and security policies.
- Investing in and scaling up promising and proven technology driven solutions to reduce emissions which do not necessarily require a move to reduce consumption of fossil fuels such as carbon capture and storage (CCS).
- Promoting local knowledge spillovers for developing countries to accelerate their economies.
- Inviting participation of international organizations and industry experts, etc.
- Promoting preferential market access and differential treatment.
- Advancing training for adaptation technologies.
- Improving communication between industry and academia.
- Supporting cooperative work to minimize the adverse consequences of response measures.

4. Building Resilience

There is an urgent need for adaptation to the negative impacts of response measures. The adaptation actions needed are both short term and long term. Short term adaptation includes insurance and financial risk management. More long term adaptation includes economic diversification.

- Need for short term and long term adaptive measures in order to be proactive (to minimize adverse effects), and be prepared (insurance).
- Improving short-term resilience thru: Insurance and financial risk management;
- Achieving long-term resilience thru: economic diversification.
- Improving financial resilience and leveraging financial assistance thru existing institutions.
- Developing institutional capacity and improve understanding of how economic diversification can be integrated into national sustainable development priorities.
- Hedging mechanisms against potential losses/risks, including: hedging with market instruments/ stabilizing funds, etc.
- Increasing technological assistance to developing countries.
- Assisting developing countries that are highly dependent on the export and consumption of fossil fuels in strengthening resilience and diversifying their economies.
- Risk management thru: commodity price insurance; risk financing and risk transfer; etc.
- Massive investments will be needed to make up for the high risks associated with shifting production and export patterns.
- Promotion, cooperation and support in the technological development of non-energy uses of fossil fuels; and in the development, diffusion and transfer of less GHG advanced fossil fuels technologies.
- Strengthening developing countries institutional capacity to improve efficiency in upstream and downstream activities relating to fossil fuels.
- Encouraging direct investment by and technology transfer from developed countries to assist in the economic diversification of developing countries.
- Motivating private-public partnerships and contribution to various areas to support economic diversification.
- Sharing experiences and opportunities on the development and dissemination of measures, methodologies and tools aimed at increasing economic resilience.
- Encouraging and commissioning inputs from technical experts, international organizations and others.
- Supporting on-going forum for continuous dialogue to discuss relevant current and arising issues, and to provide an on-going process for assessment and evaluation.

Submission by Singapore to the Ad-hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA) Pursuant to Paragraph 93 of Dec. 1/CP 16

Pursuant to the Para 93 of Decision 1/CP 16, Singapore submitted a paper to the UNFCCC on 18 March 2011 (FCCC/SB/2011/MISC.2) containing principles that should guide the work of the forum on response measures. This submission supplements Singapore's earlier paper. In this submission, we have outlined elements that should guide the discussions on trade in the UNFCCC

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Trade, *per se*, is not a mandated negotiating item in the Bali Action Plan. Nevertheless, there have been extensive discussions on this issue over the past two years in the UNFCCC. Several Parties have tabled textual proposals against the use of unilateral trade measures. As a free-trader with its trade amounting to more than three times its GDP, Singapore shares the concerns of Parties on the threat and use of trade restrictions.

Singapore categorically rejects the use of any form of trade restriction. In 2009, Singapore also tabled a specific proposal against trade restrictions.¹ Our proposal is consistent with UNFCCC Article 3.5 and the WTO Agreements. In our proposal, we highlighted that the UNFCCC does not allow the use of trade restrictions to achieve its objectives. The opposite is in fact the case. The UNFCCC requires **all** its Parties to: (a) cooperate to promote a supportive and open international economic system; and (b) ensure that measures taken to combat climate change, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade.

In explaining our proposal at the UNFCCC in 2009, we made it clear that the WTO is the only competent body for multilateral rule-making in the domain of international trade. Singapore's position remains unchanged in this regard.

¹ Taking into account the relevant provisions of the Convention and further recognizing the principle enshrined in Article 3, paragraph 5, Parties, in the pursuit of the objective and implementation of the Convention, shall not resort to any measures, in particular unilateral fiscal or non-fiscal measures applied on the border, against goods and services imported from Parties, that constitute a means of arbitrary or unjustified discrimination or a disguised restriction on international trade"

Additionally, we wish to highlight to Parties that any discussion on trade within the UNFCCC context should be guided by the following considerations.

- (i) No Party should seek recourse to trade restrictions. Trade restrictions are not, and will never be, the answer to the climate problem. First, trade restrictions create market distortions; Second, they have adverse effects on trade; Third, they will be inconsistent with UNFCCC Article 3.5 and the WTO Agreements; Fourth, they will be adversarial. They will invite retaliatory actions and distract and create an unfavourable climate for international cooperation at the UNFCCC. In sum, trade restriction is a *lose-lose* proposition. It will neither assist economic development nor the attainment of climate change-related objectives.
- (ii) Trade openness and open markets, including to climate friendly goods and services, is the appropriate response to complement UNFCCC efforts to combat climate change. This message is enshrined in Paragraph 90 of Decision 1/CP 16 and UNFCCC Article 3.5. At the WTO, working with other WTO Members, Singapore has circulated a list of climate friendly goods for trade liberalisation. One category of goods relate to energy efficiency – which is critical for mitigating climate change². At APEC, Singapore tabled a proposal to develop Good Regulatory Practices to address non tariff barriers in the trade in climate friendly goods and services.
- (iii) Parties should consider the removal of market distortions as this can facilitate a more rational and efficient use of natural resources. The removal of market distorting measures can also have a positive impact on global efforts to address the adverse impacts of climate change.
- (iv) Any agreement on climate change must be situated in the context of a supportive and open international economic system. In Cancun, the Conference of Parties acknowledged this through the adoption of Paragraph 90 of Decision 1/CP.16. As recognised in Paragraph 90, a supportive and open international economic system will lead to sustainable economic growth and development in all Parties, particularly developing countries and enable them to better address the climate problem.

² It is estimated that energy efficiency improvements have resulted in reductions in energy consumption of more than 50% over the past 30 years. Significant energy efficiency potential remains untapped in various sectors such as buildings, transport and industry.

- (v) The effort by all Parties to maintain an open international economic system is all the more important in today's globalised world. This will help to foster both North-South and South-South trade opportunities and economic development.
 - (vi) Parties should ensure that any outcome at the UNFCCC does not undermine the delicate balance of rights and obligations contained in the WTO Agreements. As a general principle, discussions in the UNFCCC should respect the competencies of other multilateral bodies. The WTO remains the only competent multilateral body with the requisite expertise to deal with trade rule-making. The UNFCCC is not competent to review, rewrite nor reinterpret the WTO Agreements.
 - (vii) The UNFCCC provides flexibility to its Parties to adopt domestic actions as part of their efforts to combat climate change. However, experience in area of Anti-dumping and Safeguard Measures in trade tells us that even permitted measures can be abused. Hence, as required by the UNFCCC Article 3.5 and the WTO Agreements, all Parties, both developed and developing, have a responsibility to adhere fully to their UNFCCC and WTO obligations in maintaining a supportive, open and rules-based multilateral trading system.
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