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## **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**

### **Report on the workshop on a framework for various approaches**

#### **Note by the chair of the workshop**

##### *Summary*

This report presents a summary of the in-session workshop on a framework for various approaches, which was held in Bonn, Germany, on 19 May 2012, pursuant to the mandate set out in decision 2/CP.17, paragraph 82. At the workshop, participants from Parties and admitted observer organizations shared information and their views on three topics (general considerations, designing and implementing a credible system, and managing possible risks), following a presentation by the secretariat. The Ad Hoc Working Group on Long-term Cooperative Action under the Convention may wish to take note of the information contained in this report when conducting its work programme to consider a framework for various approaches, with a view to recommending a decision to the Conference of the Parties at its eighteenth session.

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\* 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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## **I. Mandate**

1. The Conference of the Parties (COP), by its decision 2/CP.17, paragraph 82, requested the Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA) to conduct one or more workshops with Parties, experts and other stakeholders, including an in-session workshop at its fifteenth session, to consider the submissions referred to in paragraph 81, and to discuss the matters referred to in paragraphs 79 and 80, of the same decision.
2. This report presents a summary of the in-session workshop referred to in paragraph 1 above.
3. The AWG-LCA may wish to take note of the information contained in this report when conducting its work programme to consider a framework for various approaches, with a view to recommending a decision to the COP at its eighteenth session.

## **II. Organization of the workshop**

4. The workshop was held at the Maritim Hotel, Bonn, Germany, on 19 May 2012 and was open to all registered participants at the fifteenth session of the AWG-LCA. It was opened by the Chair of the AWG-LCA, Mr. Aysar Ahmed Al Tayeb, and chaired by Ms. Alexa Kleysteuber.
5. The workshop commenced with opening remarks by the Chair of the AWG-LCA and the workshop chair, followed by a presentation by a representative of the secretariat of an overview of the submissions referred to in decision 2/CP.17, paragraph 81.
6. The workshop continued with the following three substantive sessions: general considerations for a framework for various approaches, designing and implementing a credible system, and managing possible risks. Each session consisted of three or four presentations by representatives of Parties or admitted observer organizations and a discussion period.
7. The agenda for the workshop is contained in the annex. This agenda, as well as the presentations made by representatives of the secretariat, Parties, and admitted observer organizations, are available on the UNFCCC website.<sup>1</sup>

## **III. Summary of proceedings**

### **A. General considerations for a framework for various approaches**

8. A representative of Japan presented elements of Japan's submission, including its view of the need to support a wide variety of approaches (e.g. domestic emission trading systems and bilateral offset programmes) that reflect Parties' circumstances while ensuring environmental integrity. He reiterated Japan's preference for decentralized governance, wherein the role of the COP would be to establish basic principles, to indicate best practices, and to provide a common reporting system for ensuring transparency and addressing double counting. He stated that standards would be country-driven and thus could differ, reflecting national circumstances. He suggested that such standards could

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<sup>1</sup> <[http://unfccc.int/meetings/bonn\\_may\\_2012/workshop/6661.php](http://unfccc.int/meetings/bonn_may_2012/workshop/6661.php)>.

comprise eligibility criteria, principles for methodologies and their approval, the role of the third-party certification entities, and processes to manage projects, issue credits and avoid double counting.

9. A representative of the United Arab Emirates noted that many Parties are developing their own mitigation approaches, and in this context suggested that a framework could enable the transparency of these approaches and also facilitate the sharing of information about them between Parties. She further suggested that a framework could formulate basic standards to cover a broad range of national circumstances. She noted that experience with the long initiation phase of the clean development mechanism (CDM) suggests the need for rapid progress. She encouraged further thought on how a framework could complement other sources of finance, the technology mechanism, and nationally appropriate mitigation actions.

10. A representative of Bolivia (Plurinational State of) presented a proposal for creating a climate justice mechanism based on the principle of equity. He suggested that developed countries should take the lead in reducing emissions on the basis of their historical responsibilities, and in supporting adaptation and mitigation in developing countries through transfers of finance and environmentally sound technologies. He stated that a mitigation mechanism could involve the assessment of mitigation needs and impacts, and address the mitigation needs of Parties in accordance with sustainable levels of emissions.

11. The discussion considered issues such as the following:

- (a) How environmental integrity could be ensured amid different national standards;
- (b) How mitigation achieved by different approaches could be compared and reviewed;
- (c) How a review process of a Party's use of approaches might operate;
- (d) The estimated scale of financial flows and the role for private-sector investment that could be envisioned through various approaches under a framework.

## **B. Designing and implementing a credible system**

12. A representative of the Centre for European Policy Studies elaborated two possible models for a framework: (a) a "mechanism approval" model in which a set of rules or standards would allow mechanisms developed and implemented by Parties outside the Convention to gain recognition under the Convention; and (b) a "mechanism transparency and reporting" role in which reporting requirements would be specified and results would be made publicly available in a coherent and consistent format. He noted that under the first model, the international transaction log might perform policy-related checks, while under the second model it could simply enable the transfer of units or be replaced by bilateral links among registries.

13. A representative of the Environmental Defense Fund highlighted the risks associated with a world in which each Party pursued its own mitigation approaches in an uncoordinated manner, warning of fragmentation. She suggested that a framework could serve as an early warning system to caution against the improper use of various approaches. She further suggested that a framework would be useful in enhancing the transparency of the use of market-based mechanisms by Parties with mitigation commitments. The possibility for crediting early actions was noted along with the suggestion that anti-circumvention standards could be adopted.

14. A representative of the Institute for Policy Studies made a number of recommendations regarding the design and implementation of robust standards. He suggested that minimum standards should be implemented to safeguard environmental integrity, that market-based mechanisms should be governed by the COP, that bilateral, regional, national and subnational mechanisms should not be used to meet mitigation commitments, and that a deadline for using offsets should be applied. He expressed concern that targeting cheaper mitigation opportunities via offsets could impose increased abatement costs on developing countries in the longer term, and suggested that a separate framework might be needed to encourage domestic non-market-based approaches, such as efficiency standards.

15. A representative of the Democratic Republic of the Congo, also presenting on behalf of the Coalition for Rainforest Nations, presented elements of a possible new market-based mechanism for reducing emissions from deforestation and forest degradation in developing countries based on national reference levels. She suggested the creation of a regulatory body to oversee the development and administration of standards and to coordinate all existing and new market mechanisms. She proposed that common standards be applied to all Parties, compatible with existing market-based mechanisms. In addition, the concept of a carbon bank reserve was suggested.

16. The discussion considered issues such as the following:

(a) How industrial gas emissions might be treated under market-based and non-market-based approaches;

(b) The relationship between mitigation approaches within and outside the UNFCCC process;

(c) How national reference levels for reducing emissions from deforestation and forest degradation in developing countries might be established, especially where there are large subnational variations;

(d) How double counting of mitigation effort could be avoided under a framework model based on transparency and reporting.

### **C. Managing possible risks**

17. A representative of New Zealand remarked on the differences in Parties' views between stringency and uniformity at one end of the spectrum, and flexibility and diversity at the other. She suggested that both ends of the spectrum can deliver environmental integrity. She then presented a declaration model, as an interim measure, to enable Parties to scrutinize various approaches that are currently being pursued. Underpinned by common standards, this declaration model would ask Parties to declare the units that they are creating and/or using, the methodologies used, and the manner in which these units represent real and verifiable mitigation effort.

18. A representative of Grenada, also presenting on behalf of the Alliance of Small Island States (AOSIS), spoke in favour of a common set of internationally agreed accounting rules. He proposed that elements of existing market-based mechanisms should be retained. Arguing for a more uniform, stringent and centralized framework, he noted the concerns of AOSIS regarding environmental integrity, additionality, transparency, accountability and double counting under a more decentralized framework. He also noted that non-market-based mechanisms could be used in circumstances where market-based mechanisms may create perverse incentives to generate added emissions or to increase fossil fuel dependence.

19. A representative of the Climate Action Network – International highlighted that the double counting of international offset units would reduce the ambition of current pledges and increase the ambition gap. She raised the concern that both a host country and a buyer country might count the same mitigation effort towards their respective mitigation goals. She also suggested that financial flows related to offset purchases should not count towards the financial obligations of developed countries. She suggested ways to limit potential double counting, including clear accounting rules, common tracking processes and the clarification of the relationship between the CDM, the new market-based mechanism and other regional market-based mechanisms.

20. The discussion considered issues such as the following:

(a) The role of independent review, possibly incorporating international assessment and review, and international consultation and analysis processes;

(b) The potential to avoid double counting through the tracking of mitigation effort, such as via issuing and tracking emission units corresponding to specific mitigation activities;

(c) The various strengths and weaknesses of a decentralized framework as outlined by the presenters.

## Annex

### Final agenda of the workshop on a framework for various approaches

Saturday, 19 May 2012, 10.00–13.00

Maritim Hotel, Bonn, Germany

Chair of the Ad Hoc Working Group on Long-term Cooperative Action (AWG-LCA): Mr. Aysar Ahmed Al Tayeb

Workshop chair: Ms. Alexa Kleysteuber

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| 10.00–10.20 | <p><b>Opening remarks by the AWG-LCA chair</b></p> <ul style="list-style-type: none"> <li>• Mr. Aysar Ahmed Al Tayeb</li> </ul> <p><b>Opening remarks by the workshop chair</b></p> <ul style="list-style-type: none"> <li>• Ms. Alexa Kleysteuber</li> </ul> <p><b>Overview of submissions</b></p> <ul style="list-style-type: none"> <li>• Mr. Niclas Svenningsen, secretariat</li> </ul>  |
| 10.20–11.20 | <p><b>Session 1 – General considerations for a framework for various approaches</b></p> <p>Different approaches currently outside the UNFCCC process that could be included under a framework, including market-based mechanisms and non-market-based mechanisms, as well as the respective roles of individual Parties and the UNFCCC under such a framework.</p> <p><b>Speakers:</b></p> <ul style="list-style-type: none"> <li>• Mr. Toshiaki Nagata, Japan</li> <li>• Ms. Aimee Barnes, United Arab Emirates</li> <li>• Mr. Diego Pacheco, Bolivia (Plurinational State of)</li> </ul> <p><b>Discussion</b></p>  |
| 11.20–12.05 | <p><b>Session 2 – Designing and implementing a credible system</b></p> <p>Requirements to ensure the environmental integrity and credibility of market-based and non-market-based mechanisms, especially where such approaches can be used to meet mitigation targets.</p> <p><b>Speakers:</b></p> <ul style="list-style-type: none"> <li>• Mr. Christian Egenhofer, Centre for European Policy Studies</li> <li>• Ms. Annie Petsonk, Environmental Defense Fund</li> <li>• Mr. Oscar Reyes, Institute for Policy Studies</li> <li>• Ms. Federica Bietta, Democratic Republic of the Congo, for the Coalition for Rainforest Nations</li> </ul> <p><b>Discussion</b></p> |

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| <p>12.05–12.50</p> | <p><b>Session 3 – Managing possible risks</b></p> <p>Risks posed by counting identical mitigation effort across more than one mechanism, thus compromising the integrity and credibility of a framework, and the possibility of using rules and systems to manage such risks.</p> <p><b>Speakers:</b></p> <ul style="list-style-type: none"> <li>• Ms. Kay Harrison, New Zealand</li> <li>• Mr. Hugh Sealy, Grenada, for the Alliance of Small Island States</li> <li>• Ms. Anja Kollmuss, Climate Action Network – International</li> </ul> <p><b>Discussion</b></p> |
| <p>12.50–13.00</p> | <p><b>Concluding remarks by the workshop chair</b></p>  |

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