

26 November 2012

English only

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

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

Fifteenth session, part two

Doha, 27 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 24 submissions contained in document FCCC/AWGLCA/2012/MISC.4 and Add.1–5, 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.

* The second part of the session will be held in conjunction with the eighteenth session of the Conference of the Parties. The opening date of the fifteenth session, part two, of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention will be Tuesday, 27 November 2012. The closing date will be determined 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/2012/MISC.4/Add.6

GE.12-70820

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Paper no. 1: Bolivia (Plurinational State of), China, Cuba, Democratic Republic of the Congo, Ecuador, El Salvador, Iran (Islamic Republic of), Iraq, Malaysia, Mali, Philippines, Saudi Arabia, Sudan and Venezuela (Bolivarian Republic of)

DRAFT DECISION ON ESTABLISHMENT OF NON-MARKET MECHANISM

Bolivia, China, Cuba, DRC, Ecuador, El Salvador, Iran, Iraq, Malaysia, Mali, Philippines, Saudi Arabia, Sudan, Venezuela

The Conference of the Parties,

Affirming the need to maintain consistency with the ultimate objective of the Convention, particularly to stabilize greenhouse gas concentrations in the atmosphere at a level that should be achieved within a time-frame sufficient to allow ecosystem to adapt naturally to climate change, and to respect the principles and commitments of the Convention, as stated in its Articles 2, 3 and 4.

Recalling paragraph 1(b)(v) of decision 1/CP.13,

Recalling, further, paragraphs 84 and 85 of decision 1/CP.16 on the establishment of one or more non-market-based mechanisms to promote mitigation actions, based on changes to unsustainable patterns of consumption and production through, inter alia, education and rational use of resources.

Considering that because of their historical responsibility and climate debt developed countries should take the lead in emission reductions and that the fact that developing countries have development imperatives, and their ability to undertake climate actions depend on the extent of support they receive from developed countries.

Recognizing the need to establish of a mechanism of compensatory payment of developed countries' climate debt to developing country Parties, which has to be repaid in terms of finance and technology transfers to developing countries, plus ensuring no new debt is being created from now onwards.

Affirming the need to maintain consistency with the principles and commitments of the Convention, particularly that Parties should protect the climate system in accordance with their common but differentiated responsibilities and respective capabilities,

Recalling paragraph 67 of decision 2/CP.17, that indicates that non-market-based approaches such as joint mitigation and adaptation for the integral and sustainable management of forests as a non-market alternative which supports and strengthens governance and the multiple functions of forests, could be developed;

Emphasizing the importance of contributing to sustainable development, including through technology transfer and other co-benefits,

Recognizing the importance of enhancing sustainable development and patterns of production and consumption,

1. *Decides* that non-market-based approaches are important to enhance the cost effectiveness of, and to promote, mitigation actions to achieve sustainable development and change guiding social values as a whole;
2. *Decides* that Annex I Parties shall demonstrate that they are taking the lead under Article 4, paragraph 2(a) of the Convention, in modifying longer-term trends in anthropogenic emissions consistent with the objective of the Convention by taking corresponding measures to limit their anthropogenic emissions of greenhouse gases and protecting and enhancing their greenhouse gas sinks and reservoirs through national non-market-based approaches, including policies and regulatory measures in relation to, inter alia:
 - a) Environmental education relating to the sustainable use of resources;
 - b) Technology development, diffusion, capacity building, and transfer to developing countries;
 - c) Environment, energy, land, and other natural resource policy;
 - d) Direct compensation of net avoidance of emissions based on a programmatic and cross-sectoral approach;
 - e) Recognition and compensation arising from accrued climate debt to developing countries;
3. *Decides* that 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, to enhance and to promote the rational consumption and use of natural resources, taking into account the full life-cycle of materials, so as to result in the reduction of emissions from developing countries;
4. *Decides* that developed country Parties and other developed Parties included in Annex II shall establish national action programmes to support the development and enhancement of endogenous capacities and technologies of developing country Parties in all relevant sectors, including energy, transport, industry, agriculture, forestry and waste management sectors, in order to transfer relevant scientific, technological, technical, socio-economic and other information, knowledge, know-how, practices, processes and technologies relevant to ultimately achieving the reduction of emissions from developing countries;
5. *Defines* a non-market-based mechanism, operating under the guidance and authority of the Conference of the Parties, oriented to operationalize the payment of climate debt, and to enhance the cost-effectiveness of, and to promote, mitigation actions, through non-market-based approaches, including those referred to in paragraphs 2 to 4 above, bearing in mind different circumstances of developed and developing countries, and ensuring that such approaches, or measures taken under such approaches, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade;
6. *Invites* Parties and admitted observer organizations to submit to the secretariat, by 15 March 2013, their views on the modalities and procedures for the non-market-based mechanism;

7. *Decides*, to conduct one or more workshops with Parties, experts, and other stakeholders in a structured manner in order to explore and develop different and additional options of non market mechanisms with conclusions and relevant recommendations to be reported back to the COP/18 for its consideration.

8. *Decides* to establish a Joint Mitigation and Adaptation Mechanism for the integral and sustainable management of forests as a non-market alternative to operate under the guidance and authority of the Conference of the Parties, according to paragraph 67 of decision 2/CP.17.

9. *Decides* to request the Subsidiary Body for Scientific and Technological Advice, to develop the modalities, procedures, and the institutional architecture of the Joint Mitigation and Adaptation Mechanism for the integral and sustainable management of forest to report for adoption at the COP 19, and to assess and support the needs identified by developing country Parties for its implementation.

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

(Agenda item 3(b)(v))

Recalling decisions 1/CP.13, 1/CP.16 and 2/CP.17,

1. Framework for various approaches (FVA)

1. *Decides* that the framework for various approaches (FVA) will function under the authority of the COP, and will have in its scope both market and non-market approaches. The market and non-market approaches will be applied by developed and developing country Parties, on a voluntary basis, to enhance the cost-effectiveness of, and to promote, mitigation actions, bearing in mind the different circumstances of developed and developing countries;

2. *Decides* that the scope of the FVA will cover various approaches (VA), market and non market, including sectoral mechanisms, REDD+ mechanisms, etc. that result in net reductions of greenhouse gas emissions by sources and removals by sinks and that can be used in jurisdictions other than the ones where they were created for compliance with obligations under the UNFCCC. The FVA does not cover purely domestic actions, whose effects are captured through national inventories and other similar approaches.

3. *Further decides* that the FVA which covers opportunities for using markets, taking into account national circumstances and different capacities and capabilities of developed and developing countries, must have the following functions :

(a) Ensure that the various approaches meet standards that ensure sustainable development and deliver real, permanent, additional and verified mitigation outcomes include the following:

- i. Reduction of greenhouse gas emissions by sources and removals by sinks or avoided emissions result from a clearly identified action or policy;
- ii. Emission reductions, emission removals or avoided emissions are accurately measured and recorded over time, at a reasonable frequency, and in accordance with clear guidelines on the basis of robust standards;

(b) The FVA must ensure that double counting does not occur, and include the following:

- i. A mitigation outcome can be claimed only once, and on an exclusive basis, towards the achievement of a developed country Party's mitigation commitment or target, or towards the achievement of a developing country Party's mitigation action;
- ii. Measures exist to ensure the accurate and consistent quantification of mitigation outcomes;

c. The FVA must ensure that a net decrease and/or avoidance of greenhouse gas emissions is achieved and include the following:

- i. The achievement of the net decrease and/or avoidance of greenhouse gas emissions is likely to occur with a high degree of certainty;
 - ii. Various measures are employed to achieve a net decrease and/or avoidance of greenhouse gas emissions, including through multipliers at the point of use for compliance, the application of conservative methods and assumptions in setting reference levels and/or monitoring emission reductions, emission removals, or avoided emissions, with explicit accounting for uncertainty in estimation and measurement;
- d) The FVA will seek to make use of infrastructure that currently exists in order to accomplish its functions, including international transfer of units;
- e) The FVA will ensure that units from various approaches, are accepted for compliance with obligations under the UNFCCC. This function can be achieved by defining, and providing, templates for transparency, or other means, which Parties may want to define under the authority of the COP.
- f) *The FVA shall govern all transfers of mitigation outcomes from various approaches, such as through the creation and move of units representing mitigation outcomes between Parties;*
- g) *The FVA shall include a labelling function to ensure that the units representing mitigation outcomes are in conformity with the standards elaborated in paragraph x;*

h) The FVA will include the following components

- i. International Compliance Unit (ICU). Units issued domestically will be exchanged by the international regulator defined below for ICUs when transferred internationally
- ii. Standards for Environmental Integrity (SEI). SEI will be standards that will be used in the transparency, or other processes, that will lead to UNFCCC recognition of approaches, and their units, under the FVA.
- iii. International Transaction Log (ITL)
- iv. Market Regulatory Board (MRB) which will operate and regulate, under the authority of the COP, all activities of the FVA
- v. National Registries (NR)

4. *Requests* the Subsidiary Body for Scientific and Technological Advice, at its thirty-eighth session, to elaborate guidelines and modalities for the FVA with a view to recommending a draft decision to the Conference of the Parties for consideration at its nineteenth session, including information on, amongst others:

- a) the various ways that recognition for various approaches can be achieved
- b) templates that can be used for transparency and best practices for market and non-market approaches

5. *Invites* Parties and admitted observer organizations to submit to the secretariat, by XX February 2013, their views on the matter referred to in paragraphs x, xxx, xxx, above, as

well as the components of the FVA, and requests the secretariat to prepare a synthesis report based on the submissions;

6. *Requests* the secretariat, subject to availability of supplementary resources, to conduct two technical workshops, in conjunction with the thirty-eighth and thirty-ninth sessions of the Subsidiary Body for Scientific and Technological Advice, with technical experts, to consider the matter referred to in paragraphs x, xx, xxx above;

Non-market approaches

7. *Defines* non-market approaches as approaches that do not use market incentives to incentivize mitigation outcomes, such as capacity building, standards and policies, etc. Non-market approaches may result in measurable reductions. These reductions may be used in trading, at the discretion of host Parties, on the carbon market, domestic or international, and may be used for compliance with UNFCCC obligations

8. *Decides* that the framework referred to in paragraph x above shall ensure the recognition for international compliance, where appropriate and as per the functions of the FVA, of various non-market approaches by Parties, through different means, including transparency (i.e. making the information available through a template);

Market-based approaches

9. *Defines* market-based approaches as approaches that use market incentives to incentivize mitigation outcomes resulting in measurable reductions. These reductions may be used in trading, at the discretion of host Parties, on the carbon market, domestic or international, and may be used for compliance with UNFCCC obligations .;

10. *Decides* that the FVA defined above shall ensure that units issued from market approaches at the national level, can be used for compliance with UNFCCC obligations in jurisdictions other than the ones where they were created.;

11. *Also decides* that the framework shall ensure the recognition mentioned in paragraph xxx above through transparency in the definition and use of market-based approaches, by encouraging Parties to report their use of such approaches, as well as other means that Parties may find appropriate;

12. *Requests* the Subsidiary Body for Scientific and Technological Advice, at its thirty-eighth session, to initiate development of guidance on reporting as well as other means of recognitions that Parties may define in the application of market-based approaches, with a view to recommending a draft decision to the Conference of the Parties for consideration at its nineteenth session; with emphasis on the following priority areas

- (i) Measures that will ensure that market based mechanisms respect environmental integrity and promote sustainable development;
- b) The measurement, reporting and verification of emission reductions, emission removals and/or avoided emissions, including means for estimation and data collection and analysis;
- c) The development, review and approval of reference levels;
- (c) The effective tracking of mitigation outcomes, including registries that record the attributes, quantities and ownership of mitigation outcomes, and transaction logs that record the movement of mitigation outcomes within and among Parties;

(d) The effective operation of emissions trading systems, including emissions caps, unit distribution and points of regulation;

(e) Good governance, including the development of appropriate legal and regulatory frameworks and the development of competent and responsible participants, including in the private sector;

13. *Invites* Parties and admitted observer organizations to submit to the secretariat, by XX February 2013, their views on the matter referred to in paragraphs 10, 11 and 12 above and requests the secretariat to prepare a synthesis report based on the submissions;

14. *Requests* the secretariat, subject to availability of supplementary resources, to conduct two technical workshops, in conjunction with the thirty-eighth and thirty-ninth sessions of the Subsidiary Body for Scientific and Technological Advice, with technical experts, to consider the matter referred to in paragraphs 10, 11 and 12 above;

15. *Invites* Parties to provide financial support for the activities referred to in paragraphs 8 and 14 above by making contributions to the Trust Fund for Supplementary Activities;

The new market-based mechanism

16. *Decides* that the new market-based mechanism shall operate under the guidance and authority of the Conference of Parties, and may be used by developed and developing countries to meet part of their mitigation targets or commitments under the Convention;

17. *Further decides* that the new market-based mechanism shall cover reduction of greenhouse gas emissions by sources and removals by sinks in broad sectors of the economy, including REDD+. that could be of a crediting, trading, or a mix thereof, in nature, and applicable to develop and developing countries.

18. *Further decides* that the new market-based mechanism, taking into account national circumstances and different capacity and capabilities, shall enhance cost- effectiveness and promote mitigation actions, in particular mitigation actions that support sustainable development in developing countries;

19. *Decides* to conduct a work programme under the Subsidiary Body for Scientific and Technological Advice, with the aim of establishing guidelines, modalities and procedures for the matters referred to in paragraphs [x] above;

20. *Requests* the Subsidiary Body for Scientific and Technological Advice, at its thirty-eighth session, to agree activities for the work programme referred to in paragraph x above;

21. *Invites* Parties and admitted observer organizations to submit to the secretariat, by XX , 2013, their views on activities for the work programme referred to in paragraph x above, and requests the secretariat to prepare a synthesis report based on the submissions;

22. *Requests* the secretariat, to support the activities of the work programme referred to in paragraph xx above;

23. *Requests* the Subsidiary Body for Scientific and Technological Advice to report to the Conference of the Parties at its twentieth session on the results of the work programme referred to in paragraph xx above, with a view to recommending a decision, to operationalize the new market based mechanism, for consideration of the Conference of the Parties.