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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

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Item 3(b)(v) of the provisional agenda

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 the new market-based mechanism

Submissions from Parties

Addendum

1. In addition to the 12 submissions contained in document FCCC/AWGLCA/2012/MISC.6, one further submission, and translations of two previous submissions, have been received.
2. In accordance with the procedure for miscellaneous documents, these submissions are attached and reproduced* in the languages in which they were received and without formal editing.

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* An English language version of this submission was made on 10 April 2012, which is included in document FCCC/AWGLCA/2012/MISC.6.

** A Spanish language version of this submission was made on 5 March 2012, which is included in document FCCC/AWGLCA/2012/MISC.6.

Paper no. 1: Bangladesh, Cameroon, Central African Republic, Congo, Costa Rica, Côte d'Ivoire, Democratic Republic of the Congo, Dominica, Dominican Republic, Fiji, Gabon, Ghana, Guyana, Honduras, Kenya, Pakistan, Panama, Papua New Guinea, Sierra Leone, Solomon Islands, Suriname and Uganda

[Translation as submitted]

Soumission par

Le Bangladesh, le Cameroun, la République centrafricaine, la République du Congo, le Costa Rica, la Côte d'Ivoire, la République Démocratique du Congo, Dominique, la République Dominicaine, Fiji, le Gabon, le Ghana, la Guyane, le Honduras, le Kenya, le Pakistan, le Panama, la Papouasie-nouvelle -Guinée, la Sierra Leone, les Îles Salomon, le Suriname et l'Ouganda

Vues sur diverses approches, y compris les possibilités de l'utilisation des marchés, pour améliorer le rapport coût-efficacité et promouvoir des mesures d'atténuation

1. La Conférence des Parties lors de sa 17^e session, a invité les Parties et admis les organisations ayant le statut d'observateur de la CCNUCC à soumettre au secrétariat, avant le 5 mars 2012, leurs vues sur les questions mentionnées aux paragraphes 79 et 80¹, et 83 et 84², du projet de décision [- 2/CP.17], résultat des travaux du Groupe de travail Ad Hoc sur l'action coopérative à long terme en vertu de la Convention, y compris de leurs expériences positives et négatives, avec les méthodes et les mécanismes existants ainsi que les enseignements tirés³.
2. À cet effet, la Coalition pour les nations de forêts tropicales et un certain nombre de pays en développement ayant des affinités se sont réunis à Londres, en Angleterre le 29 février et le 1^{er}

¹ Insiste sur le fait que diverses approches, y compris les possibilités de l'utilisation des marchés, pour améliorer le rapport coût-efficacité et promouvoir des mesures d'atténuation, en gardant à l'esprit les circonstances des pays développés et des pays en développement, doivent répondre à certaines normes qui offrent des mesures d'atténuation réelles, permanentes, supplémentaires et vérifiées, évitent un double comptage de l'effort, et parviennent à une diminution nette et/ou l'évitement des émissions de gaz à effet de serre et demande au Groupe de travail Ad Hoc sur l'action coopérative à long terme en vertu de la Convention de mener un programme de travail pour considérer un cadre pour telles approches, avec en vue de recommander une décision à la Conférence des Parties lors de sa dix-huitième séance, paragraphes 79 et 80 de décision de projet [-/CP.17], résultat des travaux du Groupe de travail Ad Hoc sur l'action coopérative à long terme au titre de la Convention.

² Définit un nouveau mécanisme fondé sur le marché, sous la direction et l'autorité de la Conférence des Parties, pour améliorer le rapport coût-efficacité et promouvoir les mesures d'atténuation, en gardant à l'esprit les circonstances des pays développés et des pays en développement, qui est guidé par la décision 1/CP.16, paragraphe 80, et qui, sous réserve de conditions à être élaborées, peut aider les pays développés à remplir une partie de leurs cibles ou engagement d'atténuation au titre de la Convention et demande au Groupe de Travail Ad Hoc sur l'action coopérative à long terme au titre de la Convention de mener un programme de travail visant à élaborer les modalités et procédures pour le mécanisme visé au paragraphe 83 ci-dessus, en vue de recommander une décision à la Conférence des Parties lors de sa dix-huitième session, aux paragraphes 83 et 84 du projet de décision [- /CP.17], résultat des travaux du Groupe de travail Ad Hoc sur l'action coopérative à long terme au titre de la Convention.

³ Respectivement les paragraphes 81 et 85 de la Décision de projet [-/CP.17], résultat des travaux du Groupe de travail Ad Hoc sur l'action coopérative à long terme au titre de la Convention.

mars 2012, pour examiner les questions relatives au paragraphe 1 ci-dessus. Cette présentation a été établie pour tenir compte de ces discussions et des points de vue de nombreux autres pays en développement sur ces mêmes questions.

3. La soumission des points de vues au Groupe de travail Ad Hoc sur une action concertée à long terme lors de sa quatrième session, le 30 mars 2009 par *le Belize, la République centrafricaine, le Costa Rica, la République démocratique du Congo, la République dominicaine, l'Équateur, la Guinée équatoriale, le Ghana, la Guyane, le Honduras, le Kenya, Madagascar, le Népal, le Nicaragua, le Panama, la Papouasie-nouvelle -Guinée, Singapour, les Îles Salomon, la Thaïlande, l'Ouganda, la République-unie de Tanzanie, Vanuatu et le Viet Nam* sur la réduction des émissions provenant de la déforestation et de la dégradation des forêts et le rôle de la conservation, de la gestion durable des forêts, et de l'amélioration des stocks de carbone de forêt devraient être rappelés.
4. **Nouveaux mécanismes du marché** : COP17 a défini un nouveau mécanisme fondé sur le marché et a demandé à l'AWG-LCA de mener un programme de travail visant à élaborer des modalités et procédures pour le nouveau mécanisme fondé sur le marché en vue de recommander une décision à la Conférence des Parties lors de sa dix-huitième session.
5. **Assistance en conformité avec l'Annexe de la Partie 1** : Le CMP7 a décidé que « les unités générées à partir de mécanismes fondés sur le marché pour être établies en vertu de la Convention ou de ses instruments peuvent être utilisées par les Parties visées à l'annexe I pour les aider à remplir leurs engagements chiffrés de limitation et de réduction d'émission en vertu de l'Article 3 ».
6. **Intégrité environnementale, sociale et économique** : Les parties devraient soutenir et améliorer ceux qui sont déjà existants et développer de nouveaux mécanismes fondés sur le marché, en vue d'atteindre l'objectif de la Convention et du Protocole de Kyoto, tout en assurant l'intégrité de l'environnement.
7. **Supporter les différentes ambitions** : Les parties devraient accroître le niveau d'ambition dans leurs efforts pour parvenir à une augmentation de la température en dessous de la barre des 2 degrés Celsius cible et devraient envisager de renforcer l'objectif mondial à long terme, par rapport à l'augmentation de la température de 1,5 degrés Celsius.
8. **Bénévolats et assistance au niveau local** : Les pays en développement qui sont parties pourront, sur une base volontaire et en tenant compte des différentes circonstances et capacités nationales, mettre en œuvre un mécanisme fondé sur le marché en vue de renforcer leur contribution à la réalisation de l'objectif ultime de la Convention, pour les aider à réaliser le développement durable, et à aider les pays développés qui sont parties à parvenir à la mise en œuvre de leurs engagements en vertu de la Convention et du Protocole de Kyoto.

9. **Marchés mobilisateurs de finance** : Une partie des actions de réduction des effets entreprises par les pays en développement qui sont parties peut être financée grâce à des mécanismes de marché.
10. **Normes standard requises** : Les modalités et procédures pour le nouveau mécanisme de marché visés au paragraphe 83 de la décision - /CP.17, résultat des travaux du Groupe de Travail Ad Hoc sur une action de coopération à long terme dans le cadre de la Convention, tout en considérant les circonstances nationales, doivent permettre d'identifier les normes communes ("une tonne est une tonne") à être appliquées par toutes les Parties mettant en œuvre tout type de mécanisme fondé sur le marché, y compris ceux qui sont existants et les nouveaux, qu'ils soient nationaux ou régionaux, en vue d'assurer la pleine fongibilité de toute unité de réduction.
11. Les normes communes visées au paragraphe 10 ci-dessus doivent être compatibles avec les mécanismes fondés sur le marché en vertu du Protocole de Kyoto, et devraient traiter de questions telles que le barème projet-par-projet, le double comptage, les fuites, des niveaux de référence et les facteurs équivalents et ne devraient être autorisés que dans la mesure où un participant est admissible à l'égard de la présentation de rapports sur les inventaires de gaz à effet de serre et de la documentation à l'appui, comme convenu par les Parties.
12. **Nouvelle approche commerciale du marché** : En vertu du mécanisme de marché visés au paragraphe 83 de la décision - /CP.17, résultat des travaux du Groupe de travail Ad Hoc sur une action de coopération à long terme dans le cadre de la Convention, dans le contexte d'une approche commerciale, un niveau de référence est défini ex-ante et les indemnités équivalentes émises. Les indemnités peuvent être échangées sur le marché du carbone. Dans le cas où les émissions à la fin de la période sont au-dessus du niveau national de référence, les garanties devraient être introduites, telles que les réserves des années précédentes ou le solde négatif reporté sur la prochaine période. Les pays en développement qui sont parties devraient mettre en œuvre cette approche en fonction des circonstances nationales.
13. **Conformité avec els Règlements locaux** : La mise en œuvre des mécanismes basés sur le marché devrait être compatible avec les politiques et les mesures nationales, y compris les plans REDD+ nationaux.
14. **Organisme réglementaire local** : Un organisme de réglementation, opérant sous l'autorité de la Conférence des Parties, devrait superviser les nouvelles approches, y compris le nouveau mécanisme fondé sur le marché.
15. Les termes de référence pour la conception de l'organisme de réglementation, y compris les modalités, la composition, les procédures, les tâches et les fonctions, devraient être adoptés par la Conférence des Parties lors de sa dix-huitième session. L'organisme de réglementation devrait, entre autres, développer, administrer et faire en sorte que les normes communes visées au paragraphe 10 ci-dessus soient appliquées par les Parties. L'organisme de réglementation devrait également s'assurer qu'un mécanisme de règlement des différends soit établi.

16. **Création d'une banque de réserve de carbone:** une banque de réserve de carbone doit être établie dans le but de garantir un bon développement du marché du carbone.
17. **Encourager es investissements dans le secteur privé:** L'engagement et la participation dans le secteur privé en alignement avec les nouveaux mécanismes du marché devront supporter les primes, bonus et les transactions au niveau international et local.
18. **Apporter un soutien adapté :** Un soutien technique et financier adéquat doit être fourni par les Parties qui sont des pays développés aux Parties qui sont des pays en développement pour la mise en œuvre des activités visées au paragraphe 73 de la décision 1/CP.16.

Presentado por

Bangladesh, Camerún, la República Centroafricana, (la República del) Congo, Costa Rica, Costa de Marfil, la República Democrática del Congo, Dominica, República Dominicana, Fiji, Gabón, Ghana, Guyana, Honduras, Kenia, Pakistán, Panamá, Papúa Nueva Guinea, Sierra Leona, las Islas Salomón, Surinam y Uganda

Puntos de vista sobre diversos enfoques, incluyendo oportunidades para el uso de mercados, para mejorar la efectividad de costos y promover acciones de mitigación, tal como lo solicitó la Conferencia de las Partes en su décimo séptima sesión

1. La Conferencia de las Partes, durante su 17 sesión, invitó a las partes y permitió que organizaciones observadoras de CMNUCC presenten a la secretaría, a más tardar el 5 de marzo de 2012, sus puntos de vista sobre los temas a los que se hace referencia en los párrafos 79 y 80¹ y 83 y 84² del borrador de la decisión 2/CP.17, Resultados del trabajo del Grupo de Trabajo Ad Hoc sobre las Acciones Cooperativas de Largo Plazo según la Convención, incluyendo sus experiencias positivas y negativas con los enfoques y mecanismos existentes, así como las lecciones aprendidas³.
2. Con ese fin, la Coalición de Naciones con Selvas Tropicales y un número de países en desarrollo afines se reunieron en Londres, Inglaterra, el 29 de febrero y 1ro de marzo de 2012 para tomar en cuenta temas relacionados con el párrafo 1 más arriba. Esta presentación fue

¹ 'Pone énfasis en que los diversos enfoques, incluyendo oportunidades para utilizar mercados, para mejorar la efectividad de costos y la promoción de acciones de mitigación, teniendo en cuenta las diferentes circunstancias de los países desarrollados y en desarrollo, deben cumplir con estándares que proporcionan resultados de mitigación reales, permanentes, adicionales y verificados, evitan el conteo doble de esfuerzos y logran una reducción y/o eliminación neta de emisiones de gases de efecto invernadero' y "Solicita al Grupo de Trabajo Ad Hoc sobre la Acción Cooperativa de Largo Plazo según la Convención llevar a cabo un programa de trabajo para tomar en cuenta un marco de trabajo para dichos enfoques, con el objetivo de recomendar una decisión a la Conferencia de las Partes durante su décimo octava sesión', párrafos 79 y 80 del borrador de decisión [-/CP.17], Resultado del trabajo del Grupo de Trabajo Ad Hoc sobre la Acción Cooperativa de Largo Plazo según la Convención.

² 'Define un nuevo mecanismo basado en el mercado, que funciona bajo la guía y autoridad de la Conferencia de las Partes, para mejorar la efectividad de costos y promover acciones de mitigación, teniendo en cuenta las diferentes circunstancias de los países desarrollados y en desarrollo, que está guiado por la decisión 1/CP.16, párrafo 80, el que, sujeto a las condiciones a ser elaboradas, pueda ayudar a países desarrollados a cumplir parte de sus objetivos o compromisos de mitigación según la Convención' y 'Solicita al Grupo de Trabajo Ad Hoc sobre la Acción Cooperativa de Largo Plazo según la Convención llevar a cabo un programa de trabajo para elaborar modalidades y procedimientos para el mecanismo al que se hace referencia en el párrafo 83 más arriba, con el objetivo de recomendar una decisión a la Conferencia de las Partes durante su décimo octava sesión, párrafos 83 y 84 del borrador de decisión [-/CP.17], Resultado del trabajo del Grupo de Trabajo Ad Hoc sobre la Acción Cooperativa de Largo Plazo según la Convención.

³ Respectivamente párrafos 81 y 85 del borrador de decisión [-/CP.17], Resultado del trabajo del Grupo de Trabajo Ad Hoc sobre la Acción Cooperativa de Largo Plazo según la Convención.

preparada para reflejar dichas discusiones e incluye aportes de diversas otras partes de países en desarrollo sobre los mismos temas.

3. Se tendrá en cuenta la presentación de puntos de vista al Grupo de Trabajo Ad Hoc sobre Acción Cooperativa de Largo Plazo durante su cuarta sesión que se llevó a cabo el 30 de marzo de 2009 por *Belize, la República Centroafricana, Costa Rica, la República Democrática del Congo, República Dominicana, Ecuador, Guinea Ecuatorial, Ghana, Guyana, Honduras, Kenia, Madagascar, Nepal, Nicaragua, Panamá, Papúa Nueva Guinea, Singapur, las Islas Salomón, Tailandia, Uganda, la República Unida de Tanzania, Vanuatu y Vietnam* sobre la Reducción de Emisiones de la Deforestación y Degradación de Bosques y el papel de la Conservación, la Gestión Sustentable de los Bosques y la Mejora de los Stock de Carbono en Bosques.
4. **Nuevos mecanismos de mercado:** COP17 definió un nuevo mecanismo basado en el mercado y solicitó a AWG-LCA que lleve a cabo un programa de trabajo para elaborar las modalidades y procedimientos para el nuevo mecanismo basado en el mercado con el objetivo de recomendar una decisión a la Conferencia de las Partes durante su décimo octava sesión.
5. **Puede contribuir al cumplimiento de las partes del Anexo 1:** CMP17 decidió que “Toda unidad generada de mecanismos basados en el mercado a ser establecida según la Convención o sus instrumentos puede ser utilizada por las partes incluidas en el Anexo 1 para ayudarlas a cumplir con el límite de emisiones cuantificado y los compromisos de reducción según el Artículo 3”.
6. **Integridad ambiental, social y económica:** Las partes deben apoyar y mejorar los mecanismos basados en el mercado existentes y desarrollar otros nuevos con el objetivo de cumplir con el objetivo de la Convención y el Protocolo de Kioto, al mismo tiempo que garantizar la integridad ambiental.
7. **Apoyarán mayores niveles de ambición:** Las partes deben aumentar el nivel de ambición de sus iniciativas para lograr un aumento de la temperatura por debajo del objetivo de 2 grados centígrados y analizar la posibilidad de fortalecer la meta global de largo plazo, en relación con un aumento de la temperatura de 1.5 grados centígrados.
8. **De forma voluntaria y tomando en cuenta las circunstancias nacionales:** Las partes de países en desarrollo pueden, de forma voluntaria y tomando en cuenta las circunstancias nacionales y diferentes capacidades, implementar un mecanismo basado en el mercado con el objetivo de fortalecer su contribución al objetivo final de la Convención, asistirlos para el logro del desarrollo sustentable y asistir a las partes de países desarrollados a cumplir con sus compromisos según la Convención y el Protocolo de Kioto.
9. **Mercados para movilizar finanzas:** Una parte de las acciones de mitigación emprendidas por las partes de países en desarrollo podrá ser financiada a través de mecanismos basados en el mercado.
10. **Se requieren estándares comunes:** Las modalidades y procedimientos para el nuevo mecanismo basado en el mercado al que se hace referencia en el párrafo 83 de la decisión 2/CP.17, Resultado del trabajo del Grupo de Trabajo Ad Hoc sobre la Acción Cooperativa de

Largo Plazo según la Convención, teniendo en cuenta las circunstancias nacionales, deben identificar estándares comunes (“una tonelada es una tonelada”) a ser aplicados por todas las partes que implementan cualquier tipo de mecanismo basado en el mercado, existente o nuevo, nacional o regional, con el objetivo de garantizar la fungibilidad plena de toda unidad de reducción.

11. Las estándares comunes a los que se hace referencia en el párrafo 10 más arriba deben ser compatibles con los mecanismos basados en el mercado existentes según el Protocolo de Kioto y deben hacer frente a temas tales como una escala proyecto a proyecto, conteo doble, fugas, niveles de referencia y factores equivalentes, y deben ser permitidos únicamente en los casos en los que los participantes están al día en relación con información sobre inventarios nacionales de gases de efecto invernadero y documentación de apoyo, tal como acordaron las partes.
12. **Aprovechando las ventajas de un enfoque de comercio:** Según el mecanismo basado en el mercado al que se hace referencia en el párrafo 83 de la decisión 2/CP.17, Resultado del trabajo del Grupo de Trabajo Ad Hoc sobre la Acción Cooperativa de Largo Plazo según la Convención, dentro de contexto de un Enfoque de Comercio, se define ex-ante un nivel de referencia nacional y se emiten derechos de emisión equivalentes. Los derechos pueden ser comerciados en el mercado de carbono. En el caso de que al final del período las emisiones sean superiores al nivel de referencia nacional, se deben introducir salvaguardas tales como reservas de años anteriores o saldos negativos trasladados al periodo siguiente. Las partes de países en desarrollo deben implementar este enfoque según las circunstancias nacionales.
13. **Consistente con políticas nacionales:** La implementación de mecanismos basados en el mercado debe ser consistente con las políticas y medidas nacionales, incluyendo los planes/programas nacionales REDD+.
14. **Hace falta un organismo regulatorio:** Un organismo regulatorio, que funcione bajo la autoridad de la Conferencia de las Partes, debe supervisar los nuevos enfoques, incluyendo el nuevo mecanismo basado en el mercado.
15. La Conferencia de las Partes en su décimo octava sesión, debe adoptar los términos de referencia para el diseño del organismo regulatorio, incluyendo modalidades, composición, procedimientos, obligaciones y funciones. El organismo regulatorio debe, entre otras cosas, desarrollar, administrar y asegurar que los estándares comunes a los que se hace referencia en el párrafo 10 más arriba son aplicados por las partes. El organismo regulatorio debe asegurarse también de que se establece un mecanismo para la solución de disputas.
16. **Establecer un Banco de Reserva de Carbono:** Se debe establecer un Banco de Reserva de Carbono con el objetivo de garantizar el funcionamiento regular y eficiente del mercado de carbono.
17. **Alentar la participación del sector privado:** Se debe apoyar e incentivar el compromiso y la participación del sector de negocios en el nuevo mecanismo basado en el mercado, en el diseño y la operación del mismo, tanto a nivel nacional como internacional.

18. **Sujeto al apoyo adecuado:** Las partes de países desarrollados deben proporcionar apoyo técnico y financiero adecuado a las partes de países en desarrollo para la implementación de las actividades a las que se hace referencia en el párrafo 70 de la decisión 1/CP.16.

March 2012

On behalf of Costa Rica, Dominican Republic, Mexico, Panama and Peru, Costa Rica is pleased to submit our views on the issues related to a new market-based mechanism, operating under the guidance and authority of the Conference of the Parties, to enhance the cost-effectiveness of, and to promote, mitigation actions, bearing in mind different circumstances of developed and developing countries, which is guided by decision 1/CP.16, paragraph 80, and which, subject to conditions to be elaborated, may assist developed countries to meet part of their mitigation targets or commitments under the Convention.

A strategic program or market-based approach

Our countries have already been deploying substantial domestic efforts to enhance their own actions in terms of climate resilient and low emission pathways. These have a major component of domestic self-funded action through programs and measures, encompassing different sectors and large segment of our economies. Between now and 2020, we expect developed countries to take substantial further effort and expanded ambition, as new market mechanisms are deployed.

Characteristics of the proposed new mechanism

In this context, we propose a market mechanism to allow countries to combine, at a large scale and scope, policies and measures with programs and/or within markets, while helping achieve national goals that contribute to make emissions increasingly scarce at a national, regional or international level, across sectors, programs, and/or domestic market approaches. In this approach, a developing country will be able to facilitate a global net decrease and/or to the avoidance of global greenhouse emissions through the domestic integration within programs in a complementary and smart manner, of activities that:

- a) Provide a net reduction through self funded or internationally activities, and
- b) Help generate reductions through the use of existing and/or the establishment of new market instruments.

The country will be able to decide in which sector or segments of the economy it is going to make a net mitigation contribution to the atmosphere; and from which sectors or segments of the economy the results of their efforts might or might not be placed into external markets. In this sense, the mechanism will retain the sovereign capacity of the country to decide which aspects are introduced into international markets, and which count as a contribution to the achievement of its own pledges. The emission savings that are a country's contribution to the global reduction effort, and those which are placed into the market could well be in the same sector, but that needs not necessarily be the case; they could also be in different ones.

The proposed mechanism would account for emissions and emissions savings from all sectors from the economy within the country, through transparent rules which follow UNFCCC general principles and criteria. The emissions which are being placed by the country into external markets will be discounted from the emissions savings within the national accounting scheme and placed as scoring to the buyer of those. Likewise, the actions that result in emissions saved that the country wish to score as their own, will be accounted for as its own contribution. In this approach, the mechanism would allow to deploy national and/or regional markets that operate within their borders, and allow for net changes in the trajectory of the country expected emissions, so as to mitigate the emissions from the country and/or region, with the MRV provisions described in this submission.

This proposal would also consider the possibility of placing into the market the mitigation contributions resulting from interventions by public or private agents which translate into emissions being avoided, that otherwise would have taken place. This avoided emissions can result from specific ad-hoc mitigation interventions, but also be enabled by adaptation activities, and related policies and measures. For instance, a change in the water regime can affect both water availability but also energy generation. Adaptation measures to such a changing environment can take both a high carbon intensive direction, when these hydro resources are replaced by high carbon or fossil content sources, or low carbon direction, when these are replaced for instance by wind energy or any other low carbon intensity energy source. A good development strategy taking into account all effects can result in both a climate resilient and low emission result, and markets should help support the low emission pathway.

The countries that are proposing this new mechanism, understand that while any new market mechanism is developed, the existing market mechanisms, including the CDM, will continue in operation. If included within the new scheme underlying this mechanism, the reductions considered within the CDM would be discounted from other emission savings achieved by the country, and score to whoever buys them, in the same manner as described above. As the new market mechanism is deployed, the countries will be able to shift from the existing blend of mechanisms and/or policies and measures, to the new large-scale mechanism altogether, as it best fits within its national circumstances. In all cases, this mechanism should be supported by strong environmental integrity, avoiding leaks, and double counting, while be supported by strong national and/subnational measuring, reporting and verification measures in the most simple and straightforward manner possible, respecting the required environmental integrity of the whole approach.

Why a Strategic Program or Market-based Approach?

The need for flexibility: including sectoral approaches to go beyond them

This proposal is to be understood as a program based one, which can include one or multiple sectors, rather than a sector based instrument, that can operate only in one. Thus, it is not against a single sector mechanism which can perfectly operate within it, but would rather say that any instrument should not preclude in advance the country's capacity to act through a new mechanism in more than one sector.

To make matters clear, we understand by a sectoral approach the creation and deployment of an instrument in which a country must make and account for a voluntary self funded net reduction contribution within one sector, to be allowed to sell further reductions from that same sector into the international markets, with or without standardized baselines and/or coefficients for specific sectors.

Understood in this way, such a sectoral approach would not provide flexibility for countries to decide where should the contribution should take place, and where should they place mitigation actions into external markets. Moreover, it would not allow to create domestic or regional markets across sectors, to make emissions increasingly scarce along large segments of the economy: a market can comprise more than one sector, and allow for exchanges across domestic sectors, where lower emissions in one sector are traded with higher emissions in another sector. While a domestic market comprising large segments of the economy could be advanced within such a program based instrument, a purely sectorial one would preclude it, and confine it to a single sector. Thus, we believe a large scale program based instrument to have a wider scope and more flexibility than a sectorial one, but would not preclude the use of the latter, as required

With good fit with national circumstances and existing instruments

Focusing on a flexible architecture to achieve this objective would help allow the countries to take action, starting from their own circumstances and with existing instruments, so as to actively avoid the development of further high carbon assets practices and infrastructure, and remain instead in a lower

carbon path. Creating mechanisms that allow for this route to be possible is substantially more cost effective than having countries develop first high carbon assets, practices and infrastructure, and then being provided with incentives for them not to use or retire them.

Altogether, these actions could be able to be implemented side by side with mitigation actions deployed with international support, with other market instruments, under the KP or any new other market or mitigation mechanism, and/or with domestic national markets. In all case, the program, any of the NAMAs and/or the instruments forming part of it, should be underpinned for by a robust MRV scheme capable of individually accounting for both the reductions placed within markets, and those placed as a contribution. In an interim stage, such an approach could co-exist with the Clean Development Mechanism. Once a solid and accurate MRV scheme is in place and allows for the whole of the activities under these large scale program instruments to be accounted for integrally, if the country so decides, the whole of the program or portfolio could be credited as a contributions as whole (minus those sold not markets).

Allowing the preservation of Low Carbon Assets, Practices and Infrastructure

Our countries makes this proposal to operate as an instrument that can also facilitate countries with low levels of emissions to preserve low carbon assets, practices, and infrastructure, under projects or aggregated within large scale programs at a national or sub national scale. This would allow multiple developing countries with relatively low carbon economies, and relatively low aggregate emissions, to make a contribution to a global low carbon future.

A majority of developing countries do not need an incentive to transition to a low carbon economy they already have; rather, they need one devised to ensure they can continue to grow and prosper, while maintaining those low carbon assets, practices and infrastructure which currently underpin their low carbon economy, and simultaneously avoiding poverty as they develop. Thus rather than providing an incentive to go down to a low carbon development strategy from a high carbon one, the country will avoid getting into a high carbon trajectory in the first place.

Consequently, a new market mechanism should allow a country to identify which and how its current practices, lifestyles and infrastructure are contributing to the current global mitigation effort, to assess the value of this contribution, and have available incentives for their preservation in its road to development. These contributions could be measured employing similar standards for a world average for assets, practices lifestyles or infrastructure providing analogue functions, under a baseline and goal scheme considering future emission growth, or under any other scheme that rewards the effective use and preservation of these low carbon assets. Such an instrument has the potential to provide a global contribution to a collective low carbon future at a fraction of the cost of another than entails supporting a country to shift from a high carbon trajectory into a low carbon one, while providing incentives for sustainable future for all.

With a related work program to achieve this outcome

A work program should explore, develop and implement the contents of these approaches. This would allow such an approach to be used by parties in a coordinated and complementary manner that preserves environmental integrity, implemented side by side with policies combining markets and domestic contributions in a manner that suit their national circumstances, and ensures all countries can both make sustainable contributions and employ instruments that propitiate the avoidance of these high carbon development trajectories.

Our countries believe this approach to be consistent with decisions on NAMAs, registries, and MRV and low emissions development strategies, on financing, and with both the overall approach agreed on the cost effectiveness of measures and the existing development instruments. We also believe these instruments will have the potential to both preserve those assets, practices and infrastructure currently contributing to

a low carbon future in the developing world, while providing some means to elude the poverty usually attached to them in a climate sustainable way. It has the potential to do this by driving large segments of the economy towards carbon-efficient growth, generating clean jobs, and providing opportunities for technology transfer while preserving low carbon local and native knowledge.

OFFICIAL SUBMISSION FROM ECUADOR

Decision 2/CP.17 (paragraph 81) on the 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

March 5, 2012

MODALITIES AND PROCEDURES FOR THE NET AVOIDED EMISSIONS MECHANISM

BACKGROUND

The Conference of the Parties of the United Nations Framework Convention on Climate Change in its sixteenth session (COP 16), requested the Ad Hoc Working Group on Long Term Cooperation to develop proposals of mechanisms to improve the cost-effectiveness, and to promote mitigation actions, with the objective of preparing a draft revision to be considered in the COP 17.

The mechanisms to be developed should take into account the following principles:

- (1) Ensuring voluntary participation of Parties, supported by the promotion of fair and equitable access for all Parties;
- (2) Complementing other means of support for nationally appropriate mitigation actions by developing country Parties;
- (3) Stimulating mitigation across broad segments of the economy;
- (4) Safeguarding environmental integrity;
- (5) Ensuring a net decrease and/or avoidance of global greenhouse gas emissions;
- (6) Assisting developed country Parties to meet part of their mitigation targets, while ensuring that the use of such mechanism or mechanisms is supplemental to domestic mitigation efforts;
- (7) Ensuring good governance and robust market functioning and regulation

The proposed mechanisms should demonstrate that their implementation is build on the basis of the existing mechanisms, including those established under the Kyoto Protocol.

In the decision 1/CP.16, paragraph 80, and 2/CP.17, includes the consideration of the NAE principle, among others, is included so it is considered in the work program of new mechanisms.

Finally, in the decision 2/CP.17 on various approaches including opportunities to use markets, Parties are invited to submit to the Secretariat of the Convention, their views on the work program to consider a framework for such approaches, including the experiences, positive and negative, with the existing approaches and mechanisms, as well as the lessons learned.

A. DEFINITIONS

a).- The “Net Avoided Emissions Units”, or “NAEU” are units that will be issued according to the most current decisions in an annex of the given decision, and will correspond to one metric ton of carbon dioxide equivalent, estimated using the global warming potential defined in decision 2/CP.3, with the possibility of future modifications.

b).- The “Certified Net Avoided Emissions” or “CNAE” are units that will be issued according to the appropriate decisions in an annex of the appropriate decision and will be one metric ton of carbon dioxide, estimated using the global warming potential defined in decision , 2/CO.3, with the possibility of future modifications.

c).- The Attributed Quantity Units “AQU” are units that are issued according to the appropriate dispositions in an annex of the appropriate decision, and it will be equivalent to one metric ton of carbon dioxide equivalent, estimated using the global warming potential defined in decision 2/CP.3, with the possibility of future modifications.

d).- The “units of sequestration” or “USQ” are units that are issued according to the appropriate dispositions in an annex of the appropriate decision, and it will be equivalent to one metric ton of carbon dioxide equivalent, estimated using the global warming potential defined in decision 2/CP.3, with the possibility of future modifications.

e) By “interested stakeholders” means individuals, groups or community(ies), or potentially affected individuals of the activity of the NAE mechanism.

B. GOVERNING BODY

B1.CONFERENCE OF THE PARTIES (COP)

The COP will have the authority of the NAE mechanism and will be the one to provide guidance to an Executive Board, or governing body, adopting decisions on:

- a) The recommendations that the Executive Board, or governing body, will dictate in its rulings;
- b) The recommendations given by the Executive Board, or governing body, according to the decisions XX-CPX related to the mechanism and the relevant decisions of the COP.
- c) The designation of the operational entities accredited by the Executive Board, or governing body, according to the relevant decisions and norms for the accreditation, which are to be developed.

Additionally, the COP will examine:

- a) The annual reports of the Executive Board or governing body.
- b) The regional and sub-regional distribution of the designated operational entities and will adopt the appropriate decisions to promote the accreditation of such entities which come from developing country Parties. And;

- c) The assistance, as necessary, to obtain funding for NAE activities.

B2. EXECUTIVE BOARD (GOVERNING BODY) OF THE NET AVOIDED EMISSIONS

The Executive Board will function under the authority and guidance of the COP and its purpose is to supervise the functioning of the NAE mechanism.

The Executive Board or Governing Body will have the following attributions:

- a) To recommend to the COP the modalities and procedures for the NAE mechanism and/or other modifications that will add or remove the rules of procedures.
 - b) Approve new methodologies related to the baseline, monitoring plan and boundaries of the activity.
 - c) Review the criteria on modalities, procedures and the definitions of the NAE activities and, if necessary, make appropriate recommendations to the COP.
 - d) Be responsible for the accreditation of the Operating Entities and recommend to the COP the designation of these entities.
- To make technical reports on methodologies and procedures available to the general public.
 - To develop and maintain a Registry of the NAE mechanism.
 - To accept formally the recognition of a NAE activity.
 - To establish panels and working groups to assist with the implementation of its functions.
 - To conform its constituency by inviting 8 representatives in accordance with the following distribution:
 - 2 members of each United Nations regional group
 - 1 member of the Small Island Developing States
 - 1 member of the Least Developed Countries
 - 2 members from Parties included in Annex I of the Convention
 - 2 members from Parties not included in Annex I of the Convention

B3. STEERING COMMITTEE OF AVOIDED EMISSIONS

An Steering Committee shall be established and will work in coordination with the Executive Board or Governing Body, and will have the function of ensuring transparency and high technical standards for the NAE mechanism.

The Governing Body shall decide the composition of the Steering Committee.

The Steering Committee will have the following functions:

- △ To develop accreditation requirements and an accreditation system to evaluate that the operational entities meet agreed requirements.
- △ To make recommendations to the NAE National Authorities on the designation of the operational entities

- ▲ To develop criteria for verifications on site to verify the project activity.
- ▲ It will ensure transparency and integrity of the mechanism.

B4. NATIONAL AUTHORITY

Each developing country Party that intends to participate in NAE should designate to the UNFCCC a National Authority to evaluate NAE activities.

National Authority is the entity that approves and validates the proposals from the country with respect to the contribution to sustainable development, the baseline scenario and the quantification of NAE units.

The NAE National Authority should have the following functions:

To define a national process to review and approve NAE activity project proposals taking into account the decisions from the UNFCCC with respect to the NAE mechanism.

To establish a system of verification of the NAE activity and that it is in accordance with the National Priorities of the country in terms of policies for mitigation and adaptation, economic development.

To follow up the approval of the Governing Body and monitor, report and verify the functioning of the activity.

B5. OPERATING ENTITIES

The Operating Entities will be held liable to the UNFCCC, the Executive Board (Governing Body) and will follow the modalities and procedures specified in the respective decision and annex.

The Operational Entities could be

- a) A public institution directly related with the national subject.
- b) Private institution at the national and international level.
- c) Mixed institution
- d) Multilateral

The Operational Entities should be responsible for:

- a) Validating NAE Project activity proposals that have met agreed requirements.
- b) Verifying and certifying the avoided emissions by the type of source of GHG emissions.
- c) Complying with the relevant legislation of the Parties according to the eligible activities that the NAE defines.
- d) Demonstrating that these activities and sub-contracts do not have a conflict of interest with the participants of the activities.
- e) Abiding by any of the following functions depending on the requirements: validation, or verification and certification.

B6. IMPLEMENTING ENTITY

The implementing entity will be public or private, developer of the NAE activity, belonging to a non-Annex I Party.

The operating entity is the one in charge of developing and presenting the technical documentation of the activity to the National Authority, which will present the Project to the Executive Board of the NAE mechanism.

The entities are responsible for developing and/or contracting a consultant to develop the documents related to the NAE mechanism according to the decisions and procedures decided by the Executive Board of NAE.

C. GREENHOUSE GAS EMISSIONS SCENARIOS

C1. PRIORIZATION OF THE SECTORS AND ACTIVITIES FOR NAE

The sectors and actions to be prioritized and considered under this mechanism are at the national level, according to the priorities of development of the country implementing NAE and the strategic economic sectors of each country. The sectors to be developed are those that the IPCC has identified to mitigate climate change .

Each country will define the sectors and activities eligible for the NAE mechanism. These will not be restricted to a specific economic activity, or a particular sector of the economy. Rather, it will consider economic activities that are the most important for the economic development of a developing country that involve the exploitation and use of natural resources, renewable and non-renewable, as well as a compensation for omission and not action in any sector of the economy in which emissions could be reduced.

The guides to prioritize the economic sectors and activities eligible for the NAE mechanisms, should be developed by the Executive Board of Avoided Emissions.

C2. BASELINE OR REFERENCE SCENARIO

The baseline scenario of a sector or activity is the scenario that represents the anthropogenic emissions by sources and sequestration/absorption by sinks of GHG that would be produced in the absence of the proposed NAE activity.

A baseline scenario should include the emissions of all gases, sectors and categories of sources that should be further identified and anthropogenic absorption by the sinks within the scope of an activity.

Criteria to determine the reference baseline

A baseline will be established:

- a) For each activity and/or using an emission factor for the emission for various activities according to the national priorities, economic capacity of the country, etc.
- b) In a transparent manner in terms of the selection of the technical criteria, assumptions, methodologies, parameters, sources of data and essential factors.
- c) Taking into account the policies and national circumstances and/or respective sectors, such as the initiatives of sectoral reform, the availability of local fuels, plans of expansion of the energy sector,

and the economic situation of the sector that the activity corresponds.

- d) Taking into account the uncertainties and using a conservative estimate approach.

The procedures and guides to elaborate the baselines will be developed by the Executive Board of Avoided Emissions.

C3. NON-EMITTED EMISSIONS SCENARIOS

The scenario of non-realized emissions refers to the emissions that will not be generated, or that will be avoided by not undertaking a determined economic activity. The Governing Body should define procedures and guidelines on the non-emission scenarios.

D. COMPLIANCE

D1. VERIFICATION

The verification will be defined according to the sectors and eligible activities for the implementation of the NAE Mechanism.

The objective of the verification is to monitor continuously that the activities under NAE contribute to mitigate climate change according to the modalities agreed for the mechanism.

The Executive Board will be in charge of developing the guidelines for the verification of the activities under the NAE mechanism.

D2. REPORTING

The reports to be done by each NAE activity will be sent to the NAE Executive Board, governing body, with the objective of following up the activities considered under this mechanism.

The Executive Board of NAE will be in charge of developing the guidelines to report the activities.

E. COMPENSATION SYSTEM OF THE NET AVOIDED EMISSIONS

The Executive Board will have to identify through working groups the system of commerce or compensation of the net avoided emissions that can identify and to develop the minimum elements required for the interested Parties so they can voluntarily participate in the NAE mechanism.

Among the minimum requirements to be developed and resolved by the Committee are:

- a) Identify the minimum requirements so that the Parties can participate in the mechanism as well as its accreditation system.
- b) Identify what is the potential of the net avoided emissions that each Party can undertake and the set up of a emissions compensation system.
- c)
- d) Identify the financial structure of the CEV and its marginal costs as well as the determination of the just price that shows that NAE is contributing to mitigate GHG and that at the same time meets with the national development plans for each developing country.
- e)

- f) Identify the system to issue NAEs, considering a Designated Authority as well as the experience and lessons learned in the Clean Development Mechanism.
- g)
- h) Identify the international regulatory framework required to jump start a trading system required to start a trading system or compensation of net avoided emissions.
- i)
- j) Identify the public and private stakeholders needed and required for the implementation of the mechanism.
- k)
- l) Identify the level of competitiveness and complementarity of the NAE mechanism with other mechanisms such as CDM, REDD+ and other innovative mechanisms to mitigate climate change proposed by the Parties.
- m)
- n) Identify the capacity of the NAE mechanism to be promoted and to provide the financial means to public and private participants.
- o)
- p) The financing of the NAE mechanism could be done through the following modalities:

- Direct Compensation

Outside from the market, equivalent to the assets generated by the non-emissions.

- Market mechanisms

Compensation of the avoided emissions through the UNFCCC, to be defined in the negotiation process with new market mechanisms for mitigation to mitigate climate change.

F. MANAGEMENT AND RISK MANAGEMENT OF THE NAE MECHANISM

Among the modalities and procedures for the development of the NAE mechanism, it should be assured that the NAE mechanism can be implemented with success by the Executive Board and to evaluate the risks associated to the mechanism as well as the strategies to deal appropriately with risk management.

Among the risks identified in the development and implementation of the NAE mechanism and that should be analyzed more in depth are:

- a) Contracts risks

The countries that can apply to this mechanism are those that: (i) have marginal levels of GHG; (ii) look to transform their extractive economies to exporters of services and assets. that can argue the richness of biodiversity and ancestral cultures; and that (iv) can commit to invest the economic resources generated by NAE in mitigation and adaptation actions to climate change.

- b) Systemic Risk
- c) Sovereign risk: political context, economic, social and environmental
- d) Risks associated to monitoring, report and verification
- e) Risks associated to the market: price controls and price volatility
- f) Financial accounting and audits of the NAE mechanism

- g) Compensation system
- h) Registry of the certificates
- i) Standardization of the information

G. CONTRIBUTION TO SUSTAINABLE DEVELOPMENT (ENVIRONMENTAL, SOCIAL AND ECONOMIC)

The developing countries that wish to implement NAE, should ensure that the activities that are eligible for NAE should demonstrate their contribution to Sustainable Development in the following areas:

G1. ENVIRONMENTAL CRITERIA

- Reduction of GHG emissions
- Protection of local resources
- Improvement of the local conditions

G2. SOCIAL CRITERIA

- Improve the quality of life Social equity, poverty reduction
- Employment creation
- Linkages with the policies, national strategies and rulings on sustainable development of the activity, in such a way that it helps to strengthen national policies and rulings.

G3. ECONOMIC CRITERIA

- Provision of financial returns
- Technology transfer
- Improve the economy of the areas of direct influence

Additionally, the mechanism must assure additional benefits, such as:

- Possibility of synergies to contribute to multiple environmental objectives of international conventions.

- Creation of incentives to increase the possibilities of mitigate climate change in developing countries.

- Contribute to the conservation and sustainable management of the biodiversity by implementing the mechanisms in areas that are rich in biodiversity.

- To provide global benefits and at the same time decrease the gap relative to the local benefit.

G4. CRITERIA FOR PARTICIPATING IN THE MECHANISM

The countries that can offer the NAE mechanism are developing countries that:

- (i) Have marginal emissions;
- (ii) Seek a transformation of their economies;
- (iii) Have rich biodiversity and ancestral cultures; and
- (iv) Can devote the investment of the resources generated by NAE in climate change mitigation and adaptations actions.

H. GUIDELINES AND PROCEDURES FOR EACH SECTOR AND ACTIVITIES

The Executive Board of NAE will develop the guidelines and procedures for each economic sector so that it can be considered as part of NAE.

The Executive Board will develop the relevant guidelines and procedures for each type of activity so that it can be considered as part of NAE.
