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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

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

Fifteenth session, part two

Doha, x November 2012–*

Agenda item 3(b)(v)

Various approaches, including opportunities for using markets, to enhance the cost-effectiveness of, and to promote, mitigation actions, bearing in mind different circumstances of developed and developing countries

Views on the new market-based mechanism

Submissions from Parties

Addendum

1. In addition to the 18 submissions contained in document FCCC/AWGLCA/2012/MISC.6 and Add.1–3, 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 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.

** 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.6/Add.4

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Complementary submissions of the Gambia on behalf of the Least developed Countries (LDC) on general principles to guide both the proposed framework for various approaches and the new market based mechanisms.

This submission is made to complement the views submitted in March 2012 on “various approaches” and “new market mechanism” (FCCC/AWGLCA/2012/MISC.4 and FCCC/AWGLCA/2012/MISC.6 respectively). The LDC group requests the secretariat **to take this submission into account while preparing its technical paper.**

The group would like to reiterate our position regarding general principles that could be taken into account in the discussion of both the new markets mechanism (NMM) and the current framework proposed for various approaches. Any market mechanisms to be established under the Convention should learn from the model of the Kyoto Protocol’s flexible mechanisms.

The LDC group would like to restate our key concerns in relation to: (1) the eligibility rules, (2) the risk of using units from Convention to meet the KP targets, (3) the risk of bilateral offset mechanisms, and (4) issues associated with environmental integrity should be addressed.

1. On the eligibility rules, there is a need to draw upon the lessons from the KP. Eligibility for using the Kyoto mechanisms is very clear. Annex I Parties using the mechanisms must: (a) be a Party to the Kyoto Protocol, (b) have an internationally-legally-binding, economy-wide emission reduction commitment under Annex B, (c) have calculated and recorded their Assigned Amount (emissions budget) for the commitment period, (d) have in place a national system for the estimation of anthropogenic emissions by sources and removals by sinks, (e) have in place a national registry, (f) submit annual GHG inventories for review (g) submit supplementary information to demonstrate progress toward achieving economy-wide emission reduction commitments, (h) submit information on annual holdings of Kyoto units, (i) be subject to their annual inventories to review. The LDC group believes that there is no rationale to undermine the rules that currently exist under the Kyoto Protocol. This architecture needs to be kept and enhanced and not diminished. Learning from this, it is important to define comparable eligibility rules for any proposed mechanism. **Therefore, for those countries wanting to participate in any NMM under the Convention – eligibility should remain: be a Party to the body under which the mechanism has been established (here the UNFCCC), the establishment of binding economy-wide emission reduction commitment, and the establishment of initial assigned amounts, together with other requirements.**

2. Risk of using units from Convention to meet the KP targets

The LDCs have previously stated their concerns regarding the fungibility of units between the Convention and meeting Kyoto commitments. We do not support countries continuing to use the existing Kyoto protocol flexible mechanisms and its associated architecture without taking commitments under the second commitment period of the Kyoto Protocol. The rules for the eligibility to the KP flexible mechanisms are clear – Parties must have a target in the Annex B of this Kyoto Protocol. If countries want to continue to use the Kyoto Protocol's flexible mechanisms, then we urge them to make a legal commitment to present a QELRO and ratify the second commitment period, as other Annex I countries are prepared to do. Furthermore, there is as yet no information on the likely supply of credits from a NMM and the impacts are as yet unquantified. **Thus, it is not acceptable to use credits generated under a future mechanism developed under the Convention to meet obligation under KP.**

3. Risk of bilateral offset mechanisms

The multilateral trading systems of the KP are the best approach to ensure a robust carbon market that could ensure real reduction. **Such multilateral system should thus be envisaged under the Convention. There is no rationale for LDCs to support market mechanisms developed outside the UNFCCC. This would simply be an approach for inaction and non-participation in the UNFCCC and will undermine a trading system, which needs robust units and rules with international oversight to ensure the integrity of the system.**

4. Issues associated with environmental integrity

The KP mechanisms and any other mechanisms to be established need to ensure environmental integrity of the whole regime. Here also, lessons can be learned from the KP. The LDCs believe that any NMM should only play a complementary role with developed countries reducing emissions mostly through domestic efforts; therefore a quantified requirement for complementarity should be established. Furthermore, double-counting of emission reductions as well as the financial commitments made by developed countries will need to be avoided. **For this purpose appropriate, relevant and coherent decisions should be taken in relation to restrictions to carryover, respect of commitment period reserves, the set of caps on credit use, issues related to supplementary and again eligibility requirements for mechanism to be established under the Convention.** This demonstrates the importance of clear international rules to allow for an effective robust mechanism.

Regarding the divergence of views in relation to these subjects, if the LCA is to close at the end of year in Doha, the LDCs would like to invite the COP to request the SBSTA to continue to support countries better deepen the understanding of both issues related the new market mechanisms and the framework of various approaches. These issues should thus be continued **under the SBSTA**, as they are not enough mature neither for decision regarded their implementation nor to be sent to the

SBI which is a body for implementation. In this respect, the LDCs believe that further work should consider the lessons learnt from past experiences with market-based mechanisms from all countries. This information will help improve the NMM to be designed under the Convention. The preparation of a technical paper, which addresses these issues, will be useful for further consideration by the Parties.

Finally the group would like to stress on two fundamental points that have been made in their previous submissions:

- The need for appropriate and necessary capacity building activities to be provided to countries including, inter alia, the LDCs, SIDS and vulnerable African countries to promote their access to new market-based mechanism, and to avoid the regional unbalance that plagued the CDM. Thus, the LDCs call for a provision under LCA that is comparable to the EU policy on CDM for LDCs, which allows for a portion of access to LDCs while seeking clarity from EU on the support available to help LDC effectively benefit from this modalities. Such provisions can include application of a share of “use restrictions” to encourage investment in projects in LDCs, associated to enabling activities to allow LDC to take effectively advantage of this provision.
- The design of the new mechanism needs to reflect experiences of the CDM in providing options that address the special situation of LDCs. This could for example include options to apply as a group of countries, in line with experiences on PoAs. A share of proceed above 2% of the certificates emitted after the deduction of net contribution, should be applied on all the new mechanisms and transferred to the adaptation fund.

Submission by Turkey

**Views on the matters referred to in paragraphs 83 and 84 of decision 2/CP.17
(New Market Based Mechanism)**

Purpose

- The aim should be to establish a New Market Based Mechanism (NMM) that is flexible and applicable before and after 2020, in line with the dynamic and changing mitigation activities of each country.
- NMM should ensure participation of all Parties to the Convention. Any Party to the Convention, willing to participate in this mechanism and fulfilling certain conditions, may choose to be a host.
- The purpose of the NMM:
 - Safeguarding cost effective global mitigation and increased global mitigation ambition,
 - Assuring environmental integrity, sustainable development and incentives provided for the private sector,
 - Avoiding fragmentation.

Design

- NMMs should allow participation of all Parties to the Convention. Any Party to the Convention, willing to participate in this mechanism and fulfilling certain conditions, may choose to be a host. In this regard, host country should have a monitoring, reporting and verification (MRV) system, a registry and a national accredited authority responsible for domestic implementation of the NMM.
- Each country should establish its domestic MRV system in accordance with its national circumstances and capabilities.
- This MRV system, depending on the domestic implementation of the NMM, can be scaled from sub-sectoral/sub-national to sectoral/national level, shall include internationally accepted reporting rules and procedures and a verification system.
- If the national capacity does not allow that country to establish a sound MRV system, international support must be provided to that country to ensure real, permanent, additional and verified mitigation outcomes.
- COP should decide on the modalities and procedures of the NMM as soon as possible, preferably in Doha, to allow required time for countries to establish their domestic systems to run such mechanism.
- Internationally accepted standards can be used to ensure real, permanent, additional and verified mitigation outcomes, avoid double counting of effort, and achieve a net decrease and/or avoidance of greenhouse gas emissions.
- Each domestically generated mitigation unit should have a label. These labels shall include; the serial number, origin, standards and methodologies used, brief information on the MRV system and the

national implementation of the NMM. An international evaluation system, which can be a Board established under the COP, can be introduced to ensure the information included in the labels is correctly and transparently inscribed.

- In order to avoid double counting, relationship of the NMM with other domestic market based mechanisms of the countries, which can be regional, national, sub-national, sectoral or sub-sectoral, should be considered.
- Host countries with economy wide emission targets: Rules must be adopted to ensure that the total assigned emission amount of host countries with economy wide emission targets under the Kyoto Protocol or the Convention does not increase, and any domestic market-based mechanism does not result in double counting of the emission reductions.
- Host countries without economy wide emission targets: Rules must be adopted to ensure that any regional, national, sub-national, sectoral or sub-sectoral market-based mechanism does not result in double counting of the emission reductions.
- NMM should be operated and guided by the COP at the international level, but countries should not go through an international approval procedure for their domestic implementation approaches of the NMM, provided that they meet the minimum set of rules set by COP.

Experiences with Existing Mechanisms and the Future

- Turkey cannot benefit from the flexibility mechanisms of the Protocol and can only participate in voluntary carbon markets since 2005.
- With nearly 200 projects developed under voluntary schemes, the private sector in Turkey enhanced its respective human and technical capacities to develop low carbon projects.
- Turkey, as a developing country, believes that, being able to participate in the mechanisms under the Protocol or the Convention, its national mitigation actions will be enhanced, promoted and incentivized, as currently these actions are implemented solely through national capacity.
- Therefore, Turkey is willing to participate in the NMM and any other mechanism developed in the future to increase the global mitigation ambition and to be able to benefit from these mechanisms in order to mitigate GHG emissions in a cost effective way.
- Turkey is also willing to engage in bilateral carbon offset mechanisms.
- Turkey believes that being able to participate in the new mechanisms will have a significant positive impact on the overall climate change policies and strategies of the country.
