

SBSTA conclusions on market and non-market-based approaches

London, 24 June (Kate Dooley) – Developing countries highlighted that a discussion on the mechanisms under the framework for various approaches must only begin after the design of the framework has been agreed, and all progress must be based on submissions and views from Parties.

This took place at the recently concluded climate talks in Bonn, Germany (4-15 June).

Informal consultations took place on market and non-market-based approaches under the Subsidiary Body on Scientific and Technological Advice (SBSTA) agenda items 13(a) Framework for Various Approaches (FVA), 13(b) Non-market-based Approaches (NMA), and 13(c) New Market Mechanisms (NMM).

In an informal consultation on 13 June, co-chairs Peer Stiansen (Norway) and Mandy Rambharos (South Africa) presented draft conclusions with an annex of possible elements for decisions on all three agenda items. Co-chair Rambharos said she would like to gain agreement from Parties to forward these texts to the SBSTA chair for the final plenary.

In responding to the draft conclusions on the FVA, **Bolivia** and **China** emphasized that Parties are discussing the design and operation of the framework, not the mechanisms under it. Bolivia said that the conclusions seem to be taking for granted that an FVA is established and were moving to discuss the design and operation of market and non-market-based approaches.

A number of developing countries suggested to delete the annexes from the draft conclusions, moving forward on the basis of Party submissions. Concerns were also expressed over the link to the Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP),

and undefined terminology such as ‘net emission reductions’.

China, Papua New Guinea, Egypt and others suggested that submissions from Parties should not be restricted to the elements listed in the draft conclusion text and annexes, and that the technical paper requested from the Secretariat, and further work in Lima should be based on submissions from Parties. Many developed countries, including the **United States (US), Switzerland, the European Union (EU), Japan, New Zealand (NZ)** and **Canada** called for not reopening the texts and moving forward with these as the basis for discussion at the Conference of the Parties (COP20) in Lima.

Following this session, Parties moved to closed sessions to revise the draft conclusions, and met again for the final time on 14 June. Here, the co-chairs presented the revised conclusions, saying that there had been progress in understanding between the three agenda items and sense of balance between all three issues had improved.

Closing session on 14 June

Co-chair Rambharos presented the revised text (version 3), explaining that the reference to the ADP is now the same across all three texts, which also provide guidance for Parties and observers to focus on the call for submissions. A technical paper from the Secretariat will be based on these submissions, and discussions will continue at SBSTA 41 in Lima. In the final version presented to Parties, the annexes had been deleted, as well as references to what many Parties had called ‘undefined terminology’, such as net emission reductions. The draft conclusions were then gavelled through with no objections from Parties.

The **US** then made an intervention to say that it did not need any affirmative decision from the UNFCCC to pursue various approaches, including markets, and that there is nothing in the Convention that constrains the use of various approaches. It emphasized that all Parties maintain the sovereign right to pursue mitigation activities in accordance with respective capabilities. The US said it welcomed the development of markets and this should be seen as an important step in the tools to address climate change and that the FVA has an important role to play in facilitating ambition and providing mitigation reductions.

The **EU** agreed with the US about the use of markets being a national choice. The EU said it sees the FVA as a building block without prejudice to linking trading schemes, and sees the NMM as part of a future regime.

Informal consultations on 13 June

Framework for Various Approaches (FVA)

Brazil congratulated the co-chairs for the revised version of the draft conclusions text (version 2), which it said incorporated many of the suggestions from past sessions. It noted a lack of clarity on paragraph 6, which Brazil said should address whether and how approaches meet standards that are *comparable to UNFCCC standards*, not just whether they meet standards. Brazil also questioned the reference to *net* decrease in emissions, and suggested that discussions in Lima would be based on Party submissions and not restricted to the elements listed in the annex. To resolve this, Brazil suggested either opening the annex for negotiation, deleting the annex, or including a disclaimer that the annex does not imply agreement on any of the elements.

Bolivia, Qatar, Senegal on behalf of LDCs, the Philippines and Algeria supported Brazil on the issue of net emission reductions, saying that there was no understanding or agreement on the concept, with Qatar suggesting to end the paragraph after 'approaches' in order to avoid reference to un-negotiated terminology.

The **US** said the draft conclusions reflect many years of deliberation and captured the range of views in the room. Acknowledging there is no agreement on the scope and purpose of the FVA, the US said it looked forward to continuing discussions in Lima, with the annex as a starting point for discussion. The US

emphasized the annex is referring to *possible* elements for consideration, and that there is not sufficient time to open the text for further deliberations.

Bolivia highlighted the need to clarify important issues rather than moving too fast now. It said the draft conclusion did not just refer to sharing information, but established a framework while Parties do not yet understand the linkages between market and non-market-based approaches. Bolivia said at this stage Parties should be discussing the design and operation of the framework – not the mechanisms under the framework. It also noted the lack of differentiation between approaches (with accounting as the basis for both market and non-market approaches) and questioned whether to have only one set of metrics for both approaches. It also said the annex contained too many issues, including lack of agreement on the purpose, and it supported Brazil's suggestion to delete the annex.

Angola suggested not making reference to the annex in the draft conclusions, while **PNG** suggested a chapeau to the annex to clarify that this does not constitute agreement by Parties to continue work in Lima, but captures discussions so far. **Egypt, Qatar and Bolivia** said they preferred to delete the annex as they did not agree with all elements and there was not enough time for discussion.

China supported by **Egypt, Qatar and Saudi Arabia** said that paragraph 4 (on relevance of this work to the ADP), prejudices the ADP outcome by pre-supposing this agenda item is relevant. China said it was premature to link the current work here with the ADP. China also noted that agreeing to share information on different approaches does not mean it acknowledges the use of those approaches for mitigation outcomes. It agreed with Bolivia that Parties were discussing the framework; hence the request that submissions from Parties should focus on the framework and not move to approaches under the framework. China noted that Parties are free to do whatever they wished to do in national and bilateral contexts, but that Parties were here to discuss approaches under the Convention. On the annex, China said that many of the sentences in the annex pre-judge the outcome; hence the annex is not needed.

Canada, and the **EU, NZ, Japan, Australia** and **Norway** made interventions to indicate that

they supported the draft conclusions in general, with Canada saying they can be flexible in the spirit of moving forward, and the EU saying that while it was not happy with the text, Parties need to go forward and not backward, and it would like to move forward based on this text.

Singapore, supported by **NZ**, **Colombia on behalf of AILAC**, and **Senegal on behalf of LDCs**, proposed removing the words ‘draft decision’ from the title of the annex. **Liechtenstein** said it believed the technical paper based on submissions will advance understanding, and it supported the text as it stands with or without the annex.

The **Philippines** said that accounting of mitigation outcomes should be based on binding commitments already on the table, specifically by Parties under the Kyoto Protocol (KP). It emphasized that these approaches should be in the context of increased ambition for mitigation. Regarding the annex, the Philippines said it did not support the use of approaches to facilitate the increase in ambition, given that existing approaches, such as the CDM, have never facilitated any increase in ambition. It suggested that it should be looked at the other way around – first there needs to be binding commitments and other elements that will be agreed in the ADP, in order to facilitate the formation of approaches.

India said that confusion could be reduced if discussions were confined to the three agenda items under consideration. Hence, the draft conclusions on the FVA should be restricted to the framework, noting that if the word ‘framework’ rather than approaches was used, than that clarity immediately comes. India noted that Parties are not yet at the stage of discussing terminology, which should be based on submissions to develop a common understanding.

St Lucia on behalf of AOSIS said the concerns of most Parties could be covered with a few additional words, such as asking SBSTA to consider the *possible* design of market and non-market based approaches (paragraph 6), and adding the words “*including those*” before the list of elements and issues for submissions (paragraph 8). AOSIS suggested such words would create a safe space for further discussions.

South Africa said that paragraph 4 (on links to the ADP), refers to the mandate of the ADP,

and therefore does not pre-judge the outcome. It said it saw the elements listed in the call for submissions as necessary to understand the elements of market and non-market approaches to consider the design and operationalization of the framework, and that it would like to keep the annex.

Japan said the text is more complicated than necessary and contained several red lines for Japan. However in order to move forward, it agreed with the US, EU, Canada, NZ and AILAC, to support the document as it stands provided other Parties also accept.

Brazil took the floor again to say it would like to react quickly to comments that had been made. Brazil said that this was not a compromise text, and while it appreciated that other delegates are willing to accept a text that crosses red lines, it said there seems to be confusion and misunderstanding about what the FVA is. Brazil said the FVA is a framework to elaborate approaches, and in its view, the only reason to build a framework is if there is something going on outside the Convention that Parties are not aware of. It said information is needed on what is going on outside the UNFCCC, to base an understanding on. Brazil said that we may think there is no need to bring these under Convention, or we may see that these outside initiatives are interfering with mitigation under the Convention, hence a framework would be needed to deal with environmental integrity, double counting, etc. Brazil said it is too early to advance the elements as in the annex, and the draft conclusions from this group should be a request for Parties to provide information on their approaches.

The **US** and **Australia** said Parties need to move forward. The **EU** said they are willing to compromise and they understand Brazil, India and others have concerns moving ahead on the framework. The EU said it would be happy for the Chair to make revisions to the text that would help us move forward.

Non-market based approaches (NMA)

Co-chair Rambharos said that many of the issues which had been raised in the FVA discussions are applicable to the other items [SBSTA agenda items 13(b) and 13(c)].

Bolivia said that it had the same concerns regarding the annex as it had raised for the FVA, and noted the same concerns with terminology,

in particular that a net decrease in emissions was not understood by Parties. Bolivia said that any forward movement in these agenda items should be based on Party submissions.

PNG said that this annex should also contain a chapeau stating that it does not represent Parties' views. It said that the conclusions should be broader, to cover how the NMA relates to the UNFCCC and the 2015 agreement, as well as the FVA.

Brazil said it saw the same problems in the draft conclusion for this agenda item as it raised with 13(a) (on FVA). It said that these conclusions were jumping ahead a little and that asking for best practices and lessons learned – paragraph 6(a) – needed to explicitly state this is without prejudging the use or recognition of non-market-based approaches.

Regarding the annex, Brazil said that changing the title would not solve the issue, and the annex went beyond the simple bullet points they had requested. Brazil again reiterated the importance of first getting information (through Party submissions) and then discussing.

The **US** said it was willing to accept compromise text across the three agenda items. The **EU** said it was not happy with the text but will agree to it as is.

Singapore, supported by **Angola**, again suggested removing 'decision' from the title of the annexes. Singapore, supported by **China** said that all three items must move forward in parallel, so if the Annex was deleted from this Agenda item then it would be deleted from all three.

Egypt said it was premature to have an annex to this draft conclusion, and suggested inviting views 'such as but not limited to,' might clarify that the submissions are asking Parties to submit views, not to report to the secretariat on a list of elements.

New Market Mechanisms (NMM)

Brazil said that it was less uncomfortable with the annex for the NMM than the other two agenda items. It said that this annex is more like a list of bullet points, and does not try to explain them or move beyond simple concepts. Brazil said this is what it expected in the annexes for the previous two agenda items, and it may be possible to have annexes for all three agenda items if the same approach is followed.

PNG agreed with the content of the draft conclusion, but said it would like wording that clarifies the annex is for consideration but not agreed. The **EU** agreed there was confusion over the terminology of net mitigation, but said it was thankful that this is one of the more comfortable decisions.

Bolivia also said that all three agenda items have to be consistent and agreed with Brazil that sharing of information should be the first step. Bolivia, supported by **Angola**, thought it was better to not have annexes for any of the three items.

Saudi Arabia, on behalf of the Arab Group, supported by **Egypt**, objected to the link to the ADP in paragraph 4. Saudi Arabia said it does not agree to the elements listed in the call for submissions, and said that it is premature to discuss the annex.

The **US** said there was no reason why any ideas from these conclusions should impact what a Party does or does not submit on. It said it was disappointed that Parties are not willing to engage on the annexes, saying that nothing here will pre-judge any outcome Parties might come to in Lima.

Senegal, on behalf of LDCs, supported by **St Lucia**, supported the proposed text and said it could support the annex if the reference to draft decision was removed.

Co-chair Rambharos thanked Parties for expressing commonalities and convergences. In order to recall why some things in the text seem to be an issue, Rambharos recapped some of the discussion, saying that all Parties were clear they wanted information sharing from the beginning because some concepts from previous decisions are not understood. After that information sharing, work can be more specific, to move forward, especially in differentiating between the three agenda items. Rambharos said the list of elements in the call for submissions and in the annexes provides some guidance, but this is *inter alia* (submissions are not limited to the guidance provided). Rambharos noted that Parties always say we need to create demand, which is tied to emission reduction targets. Hence the link to the ADP mandate in paragraph 4 is important as that is where the demand will come from.

Co-chair Rambharos then announced that Parties would meet in an informal informal (a

closed session) that evening to make revisions to the text as suggested by Parties.

Following the closed informal on 13 June, a revised version of the draft conclusions without

the annexes (version 3) was presented to Parties in a final session to close the agenda item on June 14, and this was agreed to without objection.