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Divergent views over 'transparency system' for action and support

Bonn, 30 October (Hilary Chiew) – Differences of views emerged among Parties on the nature of the 'transparency system' for "action and support" for the 2015 agreement.

Developed countries are pushing for a common measurement, reporting and verification (MRV) system (related to mitigation actions) that is applicable to all for the new agreement, while most developing countries stress the importance of a differentiated approach.

Developing countries cautioned against the 'one-size-fits-all system' as the transparency arrangement should be differentiated between developed and developing country Parties based on the relevant articles of the Convention. The **Like-minded Developing Countries (LMDC)**, **South Africa** and **Brazil** stressed that the recent existing MRV arrangements under the Convention should be given time to be implemented.

The **European Union** called for a core set of rules that apply to all Parties and other rules differentiated according to "commitment types" of countries. It could not support different rules in a binary way according to the current Annexes of the Convention.

These views were expressed at the contact group of the UNFCCC's Ad hoc Working Group on the Durban Platform (ADP) held in the afternoon of 24 October in Bonn, Germany. Co-Chair Kishan Kumarsingh (Trinidad and Tobago) presided over the discussion. Transparency of action (related to mitigation) and support (related to the means of implementation) is one of the elements for the draft negotiating text for the 2015 agreement.

Saudi Arabia representing the **LMDC** said transparency arrangements should be differentiated between developed and developing country Parties based on the Convention, where Annex I Parties are subjected to enhanced MRV for comparability of efforts on mitigation, building on National Communications (NCs), Biennial Report (BR) and International Assessment and Review (IAR) modalities, while non-Annex I use existing MRV procedures of NCs, Biennial Update Reports (BURs) and International Consultation and Analysis (ICA) as these are new mechanisms that should be given the opportunity to be fully implemented.

It further said that enhancements are needed with respect to the transparency of the provision of support to developing countries, including financing and technology transfer, to ensure that finance and technology commitments are being fulfilled by Annex II Parties and that there is a comparability of efforts between themselves. Provisions of the MRV of support provided by developed countries to developing countries should be an integral part of the 2015 agreed outcome, it added.

China reminded Parties that providing transparent information is not only one of the obligations under Article 12 and Article 4.1 of the Convention but it is to demonstrate that Parties are fulfilling their commitments under the Convention. Therefore, the transparency framework must echo the commitments under the Convention. It said, therefore, the three pillars of the framework are transparency of action by Annex I Parties, transparency of support by Annex II Parties and transparency of action by non-Annex I Parties. It disagreed that compliance should be placed in the scope of transparency framework as it would prejudge the final outcome of the new agreement (in terms of its legal form).

China said transparency is not enough to enhance mutual trust. For example, it asked if a Party transparently states that it will decrease its ambition on climate change actions or if a Party transparently states that it will quit the multilateral rules-based climate change mechanism, would that enhance mutual trust? As such, it said the only way to enhance mutual trust is to fulfill commitments under the Convention and the transparency framework is to show how Parties are fulfilling their commitments.

It pointed out that transparency of action not only refers to quantified emission reduction targets but they also include actions on adaptation, technology development, capacity-building and mitigation actions that indirectly result in greenhouse gases (GHGs) emissions reduction. It said providing more detailed GHGs inventory information has already increased the burden of non-Annex I but they are trying to improve on their information since they treat it as their fulfilment of their commitments under the Convention.

On transparency of support, it said Parties must bear in mind that providing support is the commitment of Annex II Parties and not the obligation of developing countries. It said the biggest problem is that there is no agreed methodology for MRV of climate-related finance, noting that without common definition, metrics, methodology and accounting rules for finance, Parties cannot improve the transparency of support with just common reporting templates.

It described the inclusion of South-South cooperation in the Co-Chairs' non-paper (on elements for the draft negotiating text) as a strange idea as it is outside of the Convention. It said the cooperation is a contribution to the global effort to combat climate change but it should not be confused with the commitment of Annex II Parties under the Convention.

Chile speaking for the **Independent Alliance of Latin America and the Caribbean (AILAC)** believed that the 2015 agreement should be built on the current MRV system using the existing rules of the Kyoto Protocol (KP), annual GHG inventory and accompanying processes such as the BUR and IAR. It wanted the MRV framework to be integrated into a single dynamic system which includes the provision of necessary support for countries to progressively enhance their data collection and analysis capacities. It said adequate common accounting provisions must be included to ensure MRV is effective and the compliance of each country with its committed contributions. The accounting provision should ensure certainty in the treatment of land use sector, in the international trade of carbon units to ensure no double-counting and the method used for generating credit assures environmental integrity.

Noting that the MRV of support is less developed, Chile said the agreement should include effort for tracking financial flows including information on donors and recipient countries, adding that an MRV system as such should be based on a common agreed definition of climate finance to avoid double-counting of resources for mitigation and adaptation action, as well as public and private resources. The agreement, it said, should include explicit link between the MRV system and the compliance mechanism where the system serves as a trigger for the mechanism when non-compliance becomes evident.

South Africa said detailed systems for transparency including BUR and IAR have been developed which are being implemented currently. Developing countries have made significant advancement on the frequency of reporting (on their climate actions) every four years and update every two years offering full transparency. On the suggestion (by developed countries) to consolidate the IAR and ICA into one single system, it said it is not in a position to agree to the "one size fits all system". It said what was negotiated in good faith not so long ago provides for sufficient nuance in the differentiation (of countries).

It does not think there is need for the development of long or detailed provisions on MRV in the agreement. Instead what is needed is to enhance reporting of support by developed countries as there is a big gap in terms of transparency of support.

South Africa said the new agreement should take the work of the Subsidiary Body for Scientific and Technological Advice (SBSTA) forward. It said Parties must understand that transparency is not a substitute for legal force, and that it had fundamental difficulties with the approach of doing away with legal force. It emphasised the need to talk about legal nature (of the agreement).

Brazil agreed with South Africa that there are regular modalities and procedures in place for reporting of actions. Hence, there is not much room for innovation in the new agreement as Parties had just agreed on new procedures for MRV that should be implemented before reviewing them. It further stressed that the modalities (BUR and ICA for developing countries) will be reviewed at some point in the future and did not see why this should be done through the new agreement. Noting that several Parties called for a durable agreement, it reminded that to enhance actions, transparency of action and support should be seen in the same light. "We need to match not just action but how much support is being offered to reach there," added Brazil.

Marshall Islands said it whole-heartedly agreed and supported South Africa that transparency is not a substitute for legal force. It said the transparency framework should strengthen Parties' commitment over time with no backsliding on the details. It also said the current biennial MRV cycle should provide flexibility to countries with low capacity.

Bangladesh said it was important to take the lessons gained from the first BR and the on-going IAR process to see how effective they are and how to bring them into the agreement. It noted that it is easier to anchor existing processes, and the processes should enhance mutual trust and are tailored for diverse commitments and actions.

The **European Union** said Parties need to find common ground for a rules-based regime that is built to last and believed there is enough time between now and Paris (where the 2015 agreement is to be concluded) to develop the necessary rules. It suggested to first define rules which have significant impact on the level of efforts by Paris while the second category of rules applies to those that will have little impact on efforts but that need to be further developed after Paris.

It said the agreement should have a provision to ensure that once a gas, sector, category, activity area of land or pool is accounted towards a commitment, it should continue to be accounted for in the future, adding that accounting should include significant sources and sinks and be increasingly comprehensive with accomplishment over time. In building an agreement for the long term, the technical framework should not be included in the agreement but in COP decisions to enable improvement over time.

As for the MRV framework, it said it is difficult to inform without national inventories and it is important to set some rules such as the use of common metrics and methodologies. It wanted a core set of rules that apply to all Parties and other rules differentiated according to commitment types. It could not support different rules in a binary way according to the static Annex of the Convention, adding that a common MRV framework does not mean all Parties doing the same, as the Intergovernmental Panel on Climate Change (IPCC) guidelines offer sensibility to take into account national capacity and capabilities.

The EU said that in the land sector, it is crucial to strengthen the rules-based regime by not just accounting for removal by sinks but emissions by sources. Accounting for the land-use sector should be based on realistic and meaningful reference levels in order to maintain the integrity of the commitments. Such reference levels should mainly be based on historical data and the long-term trends in historical emissions. Parties could be able to use a voluntary provision to deal with natural disturbances. It also said it is important to establish a compliance regime applicable to all Parties to enhance trust and confidence. It saw common ground with the AILAC position on gradually scaling up and also New Zealand's detailed elaboration on land sector accounting principles. It did not share views that accounting rules apply to only Annex I Parties.

Australia said the substantive work done on transparency needs to be updated. It said the transparency system must be fit for the purpose of commitments and the cycle of contributions. It had concerns with the binary approach which applies a straight set of standards which does not encourage improvement to best practices. It said clarity on accounting treatment will be material if countries are comfortable with formalizing their intended nationally determined contributions (INDCs). At Paris, it said, Parties should think of the basic terms of an accounting framework rather than a detailed accounting rule book. It said countries should measure emissions according to IPCC metrics and methodologies.

On the land sector, it said the rules should incentivize emission reductions by treating the land sector like other sector in making a contribution toward countries' commitments; recognizing emissions and removals; and exclude non-anthropogenic emissions. Parties can also use units from credible market mechanisms to meet commitments should they choose, with rules to avoiding double-counting and allow tracking of unit transfers.

Japan believed that transparency of actions has to be a common system applicable to all Parties. The current IAR, ICA, BR and BUR based on (the differentiation) of Annex I and non-Annex I should be evolved and streamlined. It said rules of accounting are the cornerstone in ensuring transparency and therefore have to be taken into account when presenting INDCs. Parties that make use of land sector to achieve their INDCs should describe the methodology to identify the amount of GHG removal and emissions. Accounting should be flexible to give incentives to reflect national circumstance, and accounting rules for market mechanisms should be developed.

On transparency of support, it was of the view that the existing process is functioning effectively, adding that Japan and other donor countries provided detailed reports both during the workshop of the Standing Committee on Finance and through the biennial assessment report. It said the area where Parties can strengthen this is to increase the transparency of all donors and the recipient countries.

Norway said the agreement needs a solid framework for reporting which treats transparency of actions and support as a whole. It believed the arrangement can be developed further into one common system under the agreement. It wanted rules for measurement of emissions to be based on a tonne of CO2-equivalent. It wanted rules to keep track of the use of market-based mechanisms to ensure no double-counting of credit and to ensure environmental integrity. It supported further inputs by the EU and Australia on the rules and principles, and agreed that many details can be developed through COP decisions and need not be anchored in the core agreement.

New Zealand said transparency is at the heart of the agreement. It said the new agreement needs an MRV system that "is consistent with the hybrid approach we are designing; hence a common MRV framework with built-in flexibility." Such a framework needs to be established as a principle in the Paris agreement with the details based on the current ICA and IAR arrangement fleshed out in COP decisions which could be adjusted as it expected a common MRV framework to apply in the post-2020 arrangement. It said the new MRV system must be common to all so that the principle of transparency is universal, flexible but ensures integrity.

On the land sector, it said it had put forward a submission outlining the principles of accounting where Parties may use mitigation in the land sector towards their nationally determined mitigation commitments. It also said the implementation of mitigation activities, policies and measures in the agriculture, forestry and other land use sectors should contribute to the conservation of biodiversity and sustainable use of natural resources, and should not constrain food production. It sees the option of using units generated through a carbon market mechanism that is a central part of the Paris agreement.

Canada foresees a common post-2020 transparency and accounting framework but one which is flexible enough to suit special national circumstances. It said the framework can be built on the current MRV system that generates vital information but should be simple enough so there would be no undue burden on Parties or the UNFCCC secretariat. It wanted the agreement to lay out the core commitment that will guide Parties in this transparency framework where all Parties will participate including in its regular review. Echoing New Zealand, Norway and the EU, it said the core agreement need not elaborate on all the details and where more details are required, the agreement should mandate the COP to take specific guidelines like a review process, and the agreement should be fit for purpose in the post-2020 context.

Switzerland said the rules-based regime has to be the same for all Parties. It would like to see legally-binding, unconditional and quantifiable actions to be reflected in the new agreement as an enduring characteristic of the INDCs and key accounting rules like no double-counting for transferable units and principles to improve accountability over time.

The **United States** said the agreement itself should provide for a COP decision that outlines how a unified transparency system will work. It said the agreement could clarify the objective of the transparency system to elicit accurate information on emissions. It is not to be punitive but everyone can improve reporting over time.

It saw three characteristics of the system: (i) a set of reporting guidelines for all Parties on emissions through national inventories and progress towards contributions in regular reports; (ii) the guidelines should be flexible to allow Parties to respond as their circumstances allow, noting the IPCC tiered approach as a good example that provides flexibility for Parties with varying capacity; and (iii) the review component of this system should provide feedback on how to improve. In the post-2020 context, it would like to see greater emphasis on the utilization of finance and would support development of guidelines for reporting which can be referred in the agreement but developed after 2015.

(Edited by Meena Raman.)