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AWG-LCA: "Various approaches" for mitigation actions further explored

Doha, 30 November (Dale Wen and Fauwaz Abdul Aziz) – An "informal group" of the AWG-LCA met on 28 November to discuss agenda item 3b(v) on "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".

AWG-LCA chair Mr Aysar Tayeb (Saudi Arabia) first explained the thinking behind the Chair's overview text. Standards for a framework for various approaches (FVA) are elaborated based on Parties' input, which covers both non-market approaches and market approaches. For non-market approaches, new ideas are still coming in, thus it must be considered where this could further happen and SBSTA could be the place. On market approaches, there are numerous national level markets and a possible function of the UNFCCC is to have a facilitative role. Then new market-based mechanisms (NMM) could be a place with a governance role to do with trading between different markets.

The facilitator Ms. Alexa Kleysteuber (Chile) pointed out that for both the FVA and NMM, new homes are needed for all the work that will continue after the AWG-LCA closes. As there is one informal scheduled during this week, she encouraged Parties to have bilaterals to resolve issues. With the Chair's text which covers elements from the informal Bangkok session (August 2012) and Parties' submissions, Parties should focus on how to move forward to a decision text.

Australia, on behalf of **Canada, Japan, Kazhakstan, New Zealand, the Russian Federation, the Ukraine, the United States and Australia**, said that the Bangkok session was valuable to exchange perspectives about the distinct purposes and roles of FVA and NMM. Australia then shared the contents of their proposal on FVA, and suggested that further work on FVA goes to SBI (Subsidiary Body on Implementation). SBI should be tasked to develop elements for providing the exchange of information, experience and good practice on the development of standards; assuring transparency; and avoiding double-counting. Secondly, observer organisations and Parties can be invited to submit their views on the matters to be addressed by the SBI, and importantly, to submit information on the market-based approaches they are developing or implementing, or planning to develop or implement, that would fall within the purpose of the framework, including information on how we are supposed to deliver real, permanent, additional and verified outcomes and avoid double-counting. It said that observer organisations and Parties should be invited to submit their views on the matters to be addressed by the SBI and the secretariat should compile the information submitted for consideration at the next SBI session along with a synthesis report that identifies areas of commonality.

Australia said that their proposal adds to the proposals by oher Parties on the two work programmes. Together, they, rather than the Chair's text, reflect Parties' views. It called on the facilitator to find common ground in the limited time available, to draw on Parties' input and to write text to serve as the basis for discussions.

Ecuador, on behalf of G77 and China, said that whatever the outcome of the framework, it will need to be under the COP.

The European Union acknowledged that the attempts to keep the FVA and NMM separate for the moment according to the main elements and structure of the text. The functions of the framework are to establish common accounting, robust common standards, conformity checks and recognition of activities eligible for compliance with pledges and commitments under the Convention. The basic elements for common standards should include participation requirements, MRV, and also occasional requirements, and further rules to ensure that the basic objectives, e.g. green house gas emission reductions are observed and efficiently achieved.

The EU has a 12 page text submission that outlined the detailed rules of NMM, defining what sectoral trading and crediting are, and for the setting of baselines, thresholds, their approval, and definitions of broad secgments of the economy and institutional l arrangements. The EU supports to have informal-informal consultations and explore how to reach a successful outcome in Doha. The EU also supports the facilitator to develop a text based on the submissions, discussions and interventions so far.

Papua New Guinea has made an official submission, and welcomed the LCA text, saying the Chair's explanation is very useful. PNG would like to see the development of REDD+ mechanism as part of the mandate for next year's programme of work. The COP as a global regulator must play a role in compliance with any commitments being made with the UNFCCC. PNG proposed to use the structure in the Chair's text going forward. There are options and Parties can take different views. PNG sees the framework as a set of components and rules dealing with mitigation units across international borders, national only units are not relevant here.

PNG said that the distinction between market and non-market is not necessarily helpful, as it is divisive. Reduction can come from a different set of incentives, either market-based or non market-based. PNG said a political decision should be made here and given to the (UNFCCC) subsidiary bodies, as it is not appropriate for a technical body to do political work.

Norway said CDM's achievement of 1billion tonnes reduction through 5000 projects in 10 years is impressive. Norway expects to increase CDM use in the second commitment period. Norway has proposed sectoral approaches and NMM under the Convention. It would like to see progress on a framework, seeing value in openness and transparency – to avoid double counting and to maintain environmental integrity. It hopes subsidiary body (either SBSTA or SBI) can recommend next steps. UNEP says the gap is 8 billion tonnes, thus the existing and proposed market should be scaled up.

Switzerland, on behalf of the **Environmental Integrity Group**, said both FVA and NMM are important and a balanced outcome is required. The framework must lead to net-decrease of emission. Good governance is a key element with monitoring/tracking. SBI should give further guidance based on common standards. Regarding NMM, SBSTA should further develop the guidelines.

Bolivia is concerned about the imbalance of not having non-market mechanisms in the work programme. It agreed with PNG that one should not limit differentiation between market and non-market, as there is a range of opportunities that are non-market based. Bolivia has a submission on the establishment of a non-market mechanism. It also has a joint submission by Bolivia, China, Cuba, Democratic Republic of the Congo, Ecuador, El Salvador, Iran, Iraq, Malaysia, Mali, Philippines, Saudi Arabia, Sudan and Venezuela submitted in order to be a part of a CRP. It said a work programme for non-market mechanisms should also be established.

The Dominican Republic said the Parties can continue with what has been produced. Finding common ground is crucial. Referring to the Chair's text, it said any outcome should apply to both market and non-market action with solid and stringent rules. There is no reason that the framework and mechanism should help only developed countries – Parties all have different tasks, and FVA and NMM should help us all.

The United States associated with Australia. It hopes to achieve a clear mandate for SBI for elaboration and decisions. Clear text should be developed to forward to ministers for consideration and approval. It does not see the Chair's text as acceptable text from which to work. It looks forward to a truly Party-driven text.

China said that Parties need to have a clear boundary on which issues fall within the discussion – those issues that are purely domestic do not need to be considered. China reminded Parties as to why this discussion is here – for various approaches to allow developed countries to increase mitigation ambition. Considering the whole context, it is not necessary that we make the NMM operational or define other mechanisms that generate credits for compliance purpose – if one looks at what is happening in carbon markets, that is clear – that there is no need at this stage.

It said that the UNFCCC should not have a mere role of facilitator – it should be the body setting all the rules, only then we can ensure comparability of ambition between different Parties. China reminded Parties that the mandate is not only from Durban, but also from Bali. The program of work should cover all issues, not only technical issues. The political issues must be kept in the programme as the subsidiary bodies are not the appropriate place for political issues.

Regarding the suggestion for N "informal-informal", China doubted the usefulness given the importance of the transparency of the process.

Indonesia suggested that given the limited time, at least from Doha Parties should decide on the division of the ramework and NMM, and what is the scope of each.

Japan said it is crucial for the Parties to establish a wide variety of approaches while ensuring environmental integrity. The existing market mechanisms should complement each other, and the development of market mechanisms under de-centralized governance is already happening, including in developing countries. Some of those units may transfer across the border in the near future, thus it is important to coordinate between the variety of places. Japan fully supported the statement made by Australia and associated with it.

Ecuador said the establishment of modalities of NMM and non-market mechanisms should be under the common principles of common but differentiated responsibilities and respective capabilities. It is important to expedite standards on environmental integrity, including net reductions from NMM and non-market mechanisms. There should be clarification of fungibility with Kyoto Protocol flexible mechanisms with second commitment period Parties. Work needs to be undertaken to define institutional arrangements.

Kenya said the mandate is clear – a framework and new market mechanism under the Convention. This process is linked to the ambition discussion of developed countries. There must be a clear balance between supply and demand and the rules that need to be established for these new market mechanisms.

The other issue is lessons from the CDM and other flexible mechanisms of the KP, and it is very critical to have a look at environmental integrity of the whole system to achieve real reductions and limit the use of market mechanisms that do not lead to real reductions. Common rules and standards are needed to avoid fragmentation under the framework. One lesson from CDM is fair access to the mechanisms, thus it is important to look into capacity building issues. NMM and the framework should be linked to the financial mechanism to fund developing countries for implementing adaptation.

Further work on non-market mechanisms is needed, as it is a clear priority for some Parties.

Grenada does not mind using either the Chair's text or the submissions (of Parties). It disagreed with Australia about the framework as facilitating emerging and existing markets – COP should be a regulator – the facilitator role is too loose. Some Parties want NMM because they are concerned that CDM cannot be scaled up – but 3000 cases were registered this year, so it's not true to say CDM can't be scaled up.

Canada associated with the Australian statement. It recognized the role of markets in assisting in meeting targets including the flow of finance through the private sector. As units cross borders, the framework will play an important role in the environmental integrity. The FVA should begin with MRV of units and tracking. In the absence of proper management, the challenge of avoiding double counting in 2020 will be difficult if not impossible. Subsidiary bodies need a clear and ambitious mandate. A possible way to structure would be to articulate functions and allow the subsidiary bodies to do form.

South Africa is comfortable with the facilitator developing text, especially given the limited time. Reaching for a common understanding of the Framework is useful – it should not be just a facilitation tool. South Africa supported what Kenya said – the demand is important and Parties cannot divorce this discussion from the demand discussion. Parties cannot lose sight of the fact of assurance for the need of the NMM.

New Zealand said the suggestions from Parties are not too different. It strongly supports the facilitator to pull together views from submissions, rather than the LCA chair's text.

PNG said that Parties have disagreement on certain things – one difference is regarding the role or function of the framework. There are two options – one is that it has the function of approval of different mechanisms, approval of units; two is that it provides transparency. The sooner the Parties are clear on these two options, a number of elements fall into place, or maybe there's a hybrid option. There are many commonalities, but Parties need a clear view on this.

The facilitator said as there are lots of divergence on the function of the framework, Parties need to explore that and work on options. In terms of NMM, there have been discussion regarding how far Parties can go in terms of mandate on modalities and procedures. She has heard a lot of support from her to come up with text to move discussions forward, but she will wait for instructions from the Chair. There is interest in more discussions and moving into "informal-informals", so she will see what additional time she can get for the group. She will continue this work bilaterally as well as encourage bilaterals amongst the Parties to get somewhere concrete in one week and a half.