

25 March 2013

On behalf of the accredited organization German Forum Environment & Development, Carbon Market Watch, a project by Nature Code, welcomes the opportunity to provide its views on matters referred to in paragraphs 48 and 52 of the Doha decision, in particular related to New Market Mechanism (NMM) and the Framework for Various Approaches (FVA).

First, we would like to set the context. The window of opportunity to prevent catastrophic climate change is rapidly closing. Several studies show that current pledges are not only woefully insufficient to keep warming below 2°C.<sup>1</sup> We are now on an emissions path that could lead to warming of 4°C or more.<sup>2</sup> In addition, impacts associated with 2°C have been revised upwards and are now considered 'dangerous' and 'extremely dangerous'.<sup>3</sup> Maintaining a reasonable likelihood of limiting temperature increases to within 2°C will require commitments in the next few years to considerably higher levels of ambition by all nations. An estimated additional 9-16 Gigaton of emissions reductions are necessary by 2020 to make the two degree goal "likely" ([UNEP Gap report 2012](#)).

The Doha decision states that that both the FVA and the NMM must *deliver real, permanent, additional and verified mitigation outcomes, avoid double counting of effort and achieve a net decrease and/or avoidance of greenhouse gas emissions.* ([FVA: para 42, NMM: para 51](#))

Parties must ensure that the mechanisms through which internationally tradable units are generated meet the following key principles:

- Ensure Robust Governance structure
- Avoid all Types of Double Counting
- Secure net atmospheric benefits
- Uphold human rights
- Deliver sustainable development benefits

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<sup>1</sup>UNEP (2011). Bridging the Emissions Gap. A UNEP Synthesis Report.

Kartha, S. and Erickson, P. (2011). Comparison of Annex 1 and non-Annex 1 pledges under the Cancun Agreements. *SEI Policy Brief*. Available at: <http://seius.org/publications/id/424>

Rogelj, Joeri, Julia Nabel, Claudine Chen, William Hare, Kathleen Markmann, Malte Meinshausen, Michiel Schaeffer, Kirsten Macey, and Niklas Höhne (2010). "Copenhagen Accord pledges are paltry." *Nature* 464, 1126-28.

Meinshausen, Malte, Nicolai Meinshausen, William Hare, Sarah C. B. Raper, Katja Frieler, Reto Knutti, David J. Frame, and Myles R. Allen (2009). "Greenhouse-gas emission targets for limiting global warming to 2°C." *Nature* 458, 1158-63. Available at: <http://dx.doi.org/10.1038/nature08017>.

<sup>2</sup> Betts R., Collins M., Hemming D., Jones C., Lowe J., Sanderson M., (2011). When could global warming reach 4°C? *Phil. Trans. R. Soc. A* 2011 vol. 369, 1934 p.67-84 doi: 10.1098/rsta.2010.0290

<sup>3</sup> Anderson K., Bows A. (2011). Beyond 'dangerous' climate change: emission scenarios for a new world. *Phil. Trans. R. Soc. A* 2011 vol. 369, 1934 p.20-44, doi: 10.1098/rsta.2010.0290

The absence of binding pledges and clear accounting rules for pledges under the Convention make ensuring the environmental integrity of internationally traded GHG credits and allowances particularly challenging. The different nature of the pledges that have been made under the Convention add an additional challenge to compare effort and emissions reduction achieved.

We believe that the principles outlined above can only be achieved under a binding and robust international governance structure. We therefore first elaborate on the reasons for an international governance structure and then discuss the implementation of each of these principles.

## **ENSURE ROBUST GOVERNANCE STRUCTURE**

Having little or no international oversight and quality control over credit issuance that then can be used for international compliance is dangerous, as it lies in the interest of the host-country to maximize credit generation. The experience with Joint Implementation Track 1 clearly illustrates that voluntary guidelines will not suffice to ensure that the above mentioned principles are met. A new Framework needs to have a strong binding governance structure where:

- An appointed UN body functions as a standards-setting organization;
- All units/credits are approved by this international body;
- Credits are fully accounted through a rigorous, robust and transparent common accounting framework.

## **AVOID ALL TYPES OF DOUBLE COUNTING**

Double counting undermines mitigation goals and economic efficiency and must therefore be avoided. In the Cancun, Durban and Doha agreements, the necessity of avoiding double counting is mentioned but not clearly defined. Clear rules and international oversight must be put in place to ensure that double counting of both emission reduction and financial assistance is avoided. The following types of double counting must be addressed:

### **CREDITS ISSUED IN MORE THAN ONE UNIT TYPE (E.G. AS CDM OFFSET OR AS NMM CREDIT)**

Avoiding this type of double counting requires, inter alia:

- The use of a common international transaction tracking mechanism for all offsets counted towards pledge attainment, with assignment of unique serial numbers to each ton transacted or registered;
- Clear and specific rules regarding the complementary relationship between CDM, NMM and other regional trading mechanisms to ensure that there is no double counting;
- A system to track various types of emission reduction activities and reduction. Such a registry should not be limited to CDM and mechanisms covered under the Framework but also include non-market based activities and NAMAs.

## EMISSION REDUCTION COUNTED TOWARDS MITIGATION PLEDGE BY BOTH THE HOST AND BUYER COUNTRY (“DOUBLE CLAIMING”)

Research has shown that this type of double counting could lead to an increase in emissions in the order of more than 1 billion tonnes of ER in 2020, increasing the projected emissions gap by approximately 10% (UNEP 2012, Erickson et al 2011). Avoiding type 2 double counting is closely linked to having clear, transparent and quantifiable pledges.

- A country that sells units internationally should be required to add an equivalent to the amount of reduction credits sold to its emission accounts;
- Countries that do not have a multi-year quantifiable emission reduction pledge should not be able to sell credits under the FVA or the NMM.

## PURCHASED CREDITS COUNTED BOTH AS MITIGATION AND FINANCIAL CONTRIBUTION

Purchasing international GHG units is counted by the buyer country towards the fulfillment of their mitigation pledge as well as their financial obligations. This type of double counting may reduce the total amount of financial support from developed countries to developing countries and thus reduce the emission reduction that could occur otherwise.

- To avoid this type of double counting rules should be established that a buyer country can only count the purchased credit either towards their mitigation target or as a financial contribution but not both.

## SECURE NET ATMOSPHERIC BENEFITS

Both FVA and NMM texts from COP18 include language that calls for “ensuring a net decrease and/or avoidance of global greenhouse gas emissions.” It is possible to interpret this definition in a narrow or broad way. A narrow definition applies to sectors and regions covered by a market mechanism and applied below BAU baselines. We advocate for a broader interpretation which defines net decrease as achieving a net global decrease in emissions. This can only be achieved when double counting and claiming are addressed and when units are cancelled/discounted. Atmospheric benefits can be achieved through, *inter alia*:

- Unequivocal and specific language that “ensuring a net decrease” must lead to a global decrease in emissions.
- Addressing double counting and double claiming;
- Setting crediting baselines at levels below business-as-usual **and** discounting and/or cancelling of units;
- Excluding types of projects/action where net benefits are unlikely or difficult to establish;
- Excluding types of projects/action that perpetuate high carbon fuel uses and high GHG emitting practices.

## UPHOLD HUMAN RIGHTS

The CDM has come under criticism because of human rights abuses connected with several CDM projects. There are no explicit safe-guards under the CDM to avoid that credits come from projects that violate international conventions such as the human rights declaration. This despite the fact that the COP decided in Cancun<sup>4</sup> that “Parties should in all climate

<sup>4</sup> [http://unfccc.int/files/meetings/cop\\_16/application/pdf/cop16\\_lca.pdf](http://unfccc.int/files/meetings/cop_16/application/pdf/cop16_lca.pdf)



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*change related actions fully respect human rights*” (Decision 1/CP.16 paragraph 8). Parties must therefore ensure that eligibility rules stipulate that all internationally traded credits come from activities that uphold international law, including the UN Charter on human rights.

## **DELIVER SUSTAINABLE DEVELOPMENT BENEFITS**

The Doha text on NMM lists the “promotion of sustainable development” as one possible elements to consider when designing the modalities and procedures for the NMM. Experience with the CDM shows that the sustainable development criteria set at the national level are usually general and vague.

For a meaningful contribution to sustainable development, international standards and guidance are needed to define sustainable development indicators and social and environmental safeguards for national authorities.

Furthermore eligibility requirements should stipulate that other international environmental treaties have to be uphold (e.g. Montreal, CITES) by any market mechanisms that aim to sell credits under the FVA.

Project types and/or sectors that support technologies or practices with intrinsically high GHG emissions and/or that are associated with other high environmental and social costs are excluded.