

# VIEWS ON THE USE OF CARBON MARKETS UNDER A POST-2020 CLIMATE DEAL

**PREPARED FOR THE 42<sup>ND</sup> SESSION OF THE SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE (SBSTA), 1 TO 11 JUNE 2015 IN BONN, GERMANY**

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## BACKGROUND

Carbon Market Watch welcomes the opportunity to provide views on the deliberations of the Framework for Various Approaches (FVA) which will be discussed at SBSTA42.

UNEP estimates the remaining carbon budget to keep global average temperature increases below 2°C to be only 1000 GtCO<sub>2</sub>e, and at current rates of emissions, this budget will have been spent in the mid-2030s. This means that there is very little room for offsetting, some room for emissions trading under caps, but that the focus of development and infrastructure investment needs to be on zero/ low carbon options.

Carbon markets can be useful tools to reduce emissions in sectors where there are not yet technical solutions available to reduce emissions. They can reduce costs in those sectors where emissions reductions costs remain high as the technical solutions have not yet been bought down the cost curve. While carbon markets are often seen as a cost-efficient means to reduce emissions, they may instead cause greater expense in the longer term, through allowing locking in of high carbon infrastructure that will need to be replaced before the end of its lifetime. For this reason, the use of carbon markets and in particular the transfer of international emission units should not be seen as a substitute for domestic action - in all countries and all sectors - to reduce emissions as rapidly as possible .

The development of the FVA, which is often referred to as “transparency framework” to enable the international transfer of units from market based approaches, needs be seen in the wider context of the negotiations towards a 2015 climate agreement: The role of carbon markets under the Kyoto Protocol was set under the context of a bifurcated differentiation between Annex I and non-Annex I countries. The future climate agreement in contrast will have to include climate commitments by most countries to prevent catastrophic climate change.

Before establishing a new platform to trade international units, experience with market based mechanisms to date such as the CDM, JI and existing emissions trading systems need to be reflected and addressed: The demand-supply imbalance caused by insufficient climate targets and lenient rules has led to a large supply of offset credits resulting the offset prices to nose-dive, not providing the investment needed for truly sustainable projects, especially in least developed countries. Experiences with the two biggest emissions trading schemes the European

Emissions Trading Scheme (EU ETS) and International Emissions Trading (ET) under the Kyoto Protocol have been grim: they are severely oversupplied with 2 and 13 billion allowances respectively.

Market-based mechanisms alone will not suffice to finance adequate emission reduction activities. Public finance to seed mitigation activities by building capacity and governance infrastructures and by fostering mitigation policies is vital to enable sufficient private finance for global low-carbon development.

## Carbon Market Watch key recommendations for the FVA discussions

### 1) Establish robust eligibility rules based on the level of ambitious for countries to trade units:

- Ambition: Only countries with an ambitious mitigation target well below the conservatively projected business-as-usual scenarios in line with the 2C degree target should be eligible to participate in international markets. Their ambition must increase over time
- Type of target: Only countries with absolute reduction targets based on historical reference levels and quantified, multi-year CO<sub>2</sub>e budgets and economy-wide MRV and accounting of emissions should be able to trade allowances and buy international offsets credits
- Supplementarity: The use of internationally traded units has to be supplementary to domestic mitigation

### 2) Establish rules to meet established standards to ensure environmental integrity:

- Launch of a work programme to establish stringent and comprehensive requirements for the quality of offsets and allowances
- Establish a negative list to exclude project types and/or sectors with low likelihood of additionality or high risks of perverse incentives from being eligible as offset activities
- Decide that REDD-plus and agriculture activities must be excluded from carbon markets

### 3) Establish accounting rules to prevent double claiming & ensure net atmospheric benefits:

- Host countries that sell internationally traded units must subtract those internationally traded units from the allowable emissions of their INDC, or alternatively buyer country must not be allowed to use the purchased internationally traded units for meeting their pledge
- Buyer countries must not use purchased offsets for meeting their emission reduction pledges if their purchase is counted towards attaining their financial pledge
- Establish rules for discounting of internationally traded units to achieve a net atmospheric benefit
- Exclude the use of units generated pre-2021 to count towards pledge attainment

### 4) Enhance co-benefits related to sustainable development, poverty eradication and adaption:

- Establish rules to augment the Adaptation Fund with a share of proceeds from internationally traded units
- Establish rules to expand the use of the CDM sustainable development tool to all FVA mechanisms

### 5) Establish effective institutional arrangements and governance:

- Appoint a UN body to function as a standard-setting organization and to assess the environmental integrity of all internationally traded units
- Establish a rigorous, robust and transparent common accounting framework
- Establish robust participation requirements for locally affected communities
- Launch of a work programme to establish an institutional safeguard system, including social and environmental safeguard policies

**6) Improve consistency with international agreements:**

- ICAO: Increase cooperation and synergies with the ICAO process for a global MBM for aviation emissions to avoid fragmented standards across different international agreements and maximize environmental integrity
- HFCs: Support the Montreal Protocol for a global phase-out of HFCs without the use of carbon markets
- Posts-2015: Create synergies with the process towards Sustainable Development Goals and ensure that sustainable development objectives of UNFCCC mechanisms are fulfilled
- Human Rights: Work with human rights bodies to implement existing human rights obligations in all activities related to climate mitigation

**1. ROBUST ELIGIBILITY RULES BASED ON THE LEVEL OF AMBITIOUS FOR COUNTRIES TO TRADE UNITS**

One of the main arguments in favour of market mechanisms has been that they create an incentive for countries to take on higher targets than they would otherwise. Evidence indicates that carbon markets did not lead to higher commitments: mitigation commitments have been woefully inadequate, cap-and-trade systems have been severely oversupplied and offsetting mechanisms have been marred by insufficient environmental quality.

Experiences with International Emissions Trading and with Joint Implementation (JI) show that sound accounting rules for market mechanisms alone do not suffice to ensure that the use of market mechanisms does not lead to higher global emissions than if such commitments were met purely domestically. When countries set their Kyoto targets, it was accepted that countries with economies in transition set mitigation targets that were well above their actual and their expected emissions. These countries therefore accumulated billions of Kyoto allowances. This so called “hot air” undermined the economic viability and the environmental integrity of international emission trading and JI. A key issue for the deliberations on the FVA will therefore be to learn from this lesson and ensure that only countries with stringent targets are able to participate in international carbon markets. In other words, high level of ambition and the principle of complementarity must be core eligibility criteria should countries want to use markets to count towards their commitments.

**Robust eligibility rules based on the level of ambitious for countries to trade units should be established:**

- Ambition: Only countries with an ambitious mitigation target well below the conservatively projected business-as-usual scenarios in line with the 2°C degree target should be eligible to participate in international markets. The ambition must increase over time
- Type of target: Only countries with quantified, absolute emission limitation or reduction targets based on historical reference levels and multi-year CO<sub>2</sub>e budgets and economy-wide MRV and accounting of emissions should be able to trade allowances and buy international offsets credits
- Supplementarity: The use of internationally traded units has to be supplemental to domestic mitigation efforts

## 2. RULES TO MEET ESTABLISHED STANDARDS TO ENSURE ENVIRONMENTAL INTEGRITY

Cost-effectiveness can only be achieved if internationally traded units (allowances from cap-and-trade schemes and carbon offsets) have environmental integrity. When this is not the case, scarce finance is spent on units that do not actually represent real emission reductions. This makes staying within the limited carbon budget more expensive.

Recognizing the need for core principles that must govern the use of markets under a 2015 agreement, Parties established a set of standards in their decisions in Durban (decision 2/CP.17, paragraph 79) and Doha (1/CP.18 paragraph 42).

These decisions emphasize that *“various approaches, including opportunities for using markets, [...] must meet standards that 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”***

The environmental integrity of allowances depends on the level of ambition that countries set in their INDCs and shall be subject to the participation criteria of countries to use internationally traded units.

**For offsets generated both in capped and non-capped sectors the following environmental integrity criteria should be established:**

- **Additionality should be clearly defined:** Offsets should represent greenhouse gas (GHG) emission reductions or removals that exceed any GHG reduction or removals otherwise required by law, regulation or legally binding mandate, and that exceed any GHG reductions or removals that would otherwise occur in a conservative business-as-usual scenario.
- **Emissions reductions need to be calculated conservatively to avoid over-crediting.** This includes that emissions reductions are permanent, that they are measurable, attributable and verifiable.
- **The use of internationally agreed standards and methodologies for additionality demonstration and the calculation of emission reductions should be required.** Experience with JI has shown that if there is no requirement to use approved methodologies, projects will maximize offset generation by inflating baseline emissions. Under the CDM, methodologies are already available for many sectors and project types.
- **The length of the crediting period** should be limited taking into account economic, policy, and technological changes.
- **A negative list should be established:** technology types for eligible offset programmes should be limited. Project activities with low likelihood of additionality, high risks of perverse incentives and risks over non-permanence and leakage should be excluded. Furthermore, project activities where baselines and additionality are intrinsically difficult to determine (e.g. because of signal-to noise ratio issues) should also be excluded. Project types that should be excluded are, inter alia:
  - Industrial gas projects (hydrofluorocarbon-23 (HFC-23);
  - Nitrous oxide reduction from adipic acid production; and
  - Large power projects, such as fossil and hydro
  - Land-use activities, including agriculture
  - REDD-plus activities

**Rules to meet established standards to ensure environmental integrity should be established:**

- Launch of a work programme to establish stringent and comprehensive requirements for the quality of offsets and allowances
- Establish a negative list to exclude project types with low likelihood of additionality or high risks of perverse incentives from being eligible as offset activities
- Decide that REDD-plus and agriculture activities must be excluded from carbon markets

### **3. ACCOUNTING RULES TO PREVENT DOUBLE CLAIMING & ENSURE NET ATMOSPHERIC BENEFITS**

Internationally traded units need to be rigorously accounted for to ensure, inter alia, that the emission reductions are only counted once. An international accounting framework is needed to track and account for internationally traded units that are used to meet mitigation pledges and targets.

The ADP non-paper on elements for a draft negotiating text<sup>1</sup> suggests that means for “cooperative arrangements” shall be established on the basis of the work conducted under SBSTA regarding the FVA. It further states that synergies between mechanisms under the Convention shall be strengthened and created.

While it is important to ensure consistency of standards used throughout the mechanisms of the Conventions, Carbon Market Watch does not believe that the accounting standard for the transfer of internationally traded units under the FVA is suitable to provide the governance structure needed for other mechanisms, such as the Financial Mechanism or the Technology Mechanism. It is also important that accounting standards under the FVA do not prejudge the work of the ADP on the 2015 agreement and pre-2020 ambition relating to the other mechanisms under the Convention.

Carbon Market Watch therefore suggests that the accounting rules established under the FVA shall only provide international oversight for the transfer of internationally traded units from market mechanisms and shall in particular establish rules to:

- Avoid double claiming of emission reductions
- Enable net atmospheric benefits of mitigation outcomes
- Exclude internationally traded units from pre-2021 targets to count towards pledge attainment

#### **Avoid double-counting of emission reductions**

Double counting occurs when a single GHG emission reduction or removal, achieved through a mechanism issuing units, is counted more than once towards emissions reductions targets or obligations. If emission reductions are double counted, actual global GHG emissions are higher than the sum of what individual countries report.

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<sup>1</sup> ADP.2014.11.NonPaper

Double claiming, one form of double counting, occurs when the same emission reductions are accounted twice towards emissions reductions targets or obligations despite only one unit being issued: by the country where the reductions occur, through reporting of its reduced GHG emissions or in its national GHG inventory, and by the purchasing country using the unit issued for these reductions. For example, existing accounting rules under the Kyoto Protocol for the period from 2013-2020 do not include any provisions on how host countries selling CDM offset credits must account for these emission reductions in their own greenhouse gas accounting. This can lead to double counting if the host country has a reduction target or pledge. Emission reductions may then be counted twice towards meeting mitigation commitments, once by the buyer country that has purchased the CDM offsets and once by the host country. It is important to note that all major CDM host countries have made emission reduction pledges for 2020. Double-counting of international offsets could reduce the ambition of current pledges (of both developed and developing countries) by up to 1.6 billion tonnes CO<sub>2</sub>e in 2020, equivalent to roughly 10 per cent of the total abatement required in 2020 to stay on a 2°C pathway.

Similarly, financial flows should only be counted once. Double counting of financing financial flows may reduce the total amount of financial support from developed countries to developing countries and thus reduce the emission reduction that could occur otherwise. The financial flow related to the purchase of credits by one country cannot be counted as a financial assistance to the host country.

Although the Cancun and the Durban and Doha agreements mention the necessity of avoiding double counting, there are no rules in place to define how double counting can be prevented.

### **Discounting of internationally traded units to achieve net atmospheric benefits**

Achieving a stabilization of the climate below 2° of warming will require very substantial reductions in GHG emissions in all sectors. Given the mitigation imperative we are facing, any new approaches must go beyond pure offsetting, as it is currently practiced in the CDM and JI.

A net decrease should not simply help host countries achieve their emission targets. It should instead lead to emission reductions beyond the mitigation targets, i.e. a net atmospheric benefit. Only a net atmospheric benefit will lead to additional mitigation action beyond the targets and pledges.

Carbon Market Watch believes that discounting of internationally traded units is the best way to ensure net atmospheric benefits. Discounting works by purchasing more units than are used towards attaining the mitigation target. The additional internationally traded units are then canceled and not used for compliance. For example, for each tonne that needs to be mitigated a covered entity could be required to purchase two offsets or allowances.

#### **Accounting rules to prevent double claiming & ensure net atmospheric benefits should be established:**

- Host countries that sell internationally traded units must subtract those internationally traded units from the allowable emissions of their INDC, or alternatively buyer country must not be allowed to use the purchased internationally traded units for meeting their pledge
- Buyer countries must not use purchased offsets for meeting their emission reduction pledges if their purchase is counted towards attaining their financial pledge
- Establish rules for discounting of internationally traded units to achieve a net atmospheric benefit

## Exclude internationally traded units generated pre-2021 to count towards pledge attainment under the 2015 agreement

In Warsaw at COP19, a proposal<sup>2</sup> was made to incentivise the cancellation of certified emission reductions (CERs) from the Clean Development Mechanism (CDM) with the aim to promote additional emissions reduction results during the pre-2020 period. In addition, a proposal<sup>3</sup> was made to allow emissions reduction results arising from early-action to be accounted for the fulfillment of its post-2020 commitments under the new instrument.

While none of the proposals was accepted, the decision “Further advancing the Durban Platform” includes a reference to the CDM in the context of the promotion to voluntarily cancel carbon offsets from the CDM pre-2020.

It is important that this decision does not set a precedent for allowing the carry-over of Kyoto internationally traded units into the future climate regime.

→ **Internationally traded units generated pre-2021 to count towards pledge attainment under the 2015 agreement should be excluded**

## 4. CO-BENEFITS RELATED TO SUSTAINABLE DEVELOPMENT, POVERTY ERADICATION AND ADAPTION

### Fulfill Sustainable Development Objectives

Several established UN market mechanisms have sustainable development objectives. For example, the Clean Development Mechanism (CDM) has a dual mandate to deliver climate mitigation and sustainability benefits.

Despite these fundamental goals, numerous studies and anecdotal evidence show that most CDM projects fail to deliver sustainability benefits. This is because of a number of reasons:

- To receive carbon credits under the CDM, only GHG emissions need to be monitored and measured. This means that the contribution to sustainable development has no financial value which puts more value to projects with more emissions reductions than to projects with potentially higher sustainability benefits;
- There is no international sustainability assessment process. Countries that host CDM projects define their own sustainability criteria. In the absence of international guidance, the sustainability criteria usually lack specificity, transparency and stringency;
- There is no mandatory monitoring and reporting process. The lack of an appropriate monitoring mechanism makes it impossible to follow up to the individual sustainable development goals of CDM projects. In other

<sup>2</sup>[http://unfccc.int/files/documentation/submissions\\_from\\_parties/adp/application/pdf/adp\\_brazil\\_workstream\\_2\\_cdm\\_voluntary\\_cancellation\\_20130918.pdf](http://unfccc.int/files/documentation/submissions_from_parties/adp/application/pdf/adp_brazil_workstream_2_cdm_voluntary_cancellation_20130918.pdf)

<sup>3</sup>[https://unfccc.int/files/documentation/submissions\\_from\\_parties/adp/application/pdf/adp\\_brazil\\_workstream\\_2\\_early\\_action\\_20130913.pdf](https://unfccc.int/files/documentation/submissions_from_parties/adp/application/pdf/adp_brazil_workstream_2_early_action_20130913.pdf)



words, even if there were wonderful sustainability benefits, we'll never know about it. However, this also means that in the absence of monitoring, there are no means to incentivise project participants to fulfil the promised sustainable development benefits which along the lines can also lead to negative impacts;

- Finally, there is no grievance mechanism in place in case negative impacts of the CDM project occur.

Recognizing this, several steps were taken to improve the sustainability impacts of CDM projects: At its ninth session, the CMP requested the CDM Executive Board to develop guiding tools for Designated National Authorities (DNAs) who wish to receive assistance in monitoring the sustainable development benefits of CDM projects and programmes of activities (PoAs) registered in their territory. This CMP mandate aims at assisting host Parties to monitor the sustainable development benefits of CDM project activities and programmes of activities (PoAs) in their territory.

In 2014, the CDM Executive Board launched a voluntary reporting tool to highlight sustainable development co-benefits of CDM project activities or PoAs. Although not perfect, this tool is a good first step to improve the oversight of sustainable development and impacts of CDM projects and for monitoring co-benefits other than GHG reductions. Building on the experience of this SD Tool, all market mechanisms under the FVA shall be invited to use the SD Tool in the 2015 climate agreement.

→ **The FVA should establish rules to expand the use of the CDM sustainable development tool to all mechanisms trading internationally traded units under the FVA**

## Resource mobilisation for adaptation

The Adaptation Fund was established in 2001 to finance concrete adaptation projects and programmes in developing country Parties to the Kyoto Protocol that are particularly vulnerable to the adverse effects of climate change. The Adaptation Fund is financed with a share of proceeds from the clean development mechanism (CDM) project activities and other sources of funding. The share of proceeds amounts to 2 per cent of certified emission reductions (CERs) issued for a CDM project activity. In decision 1/CMP.8, the Parties decided that for the second commitment period, the Adaptation Fund shall be further augmented through a 2 per cent share of the proceeds levied on the first international transfers of AAUs and the issuance of ERUs for Article 6 projects immediately upon the conversion to ERUs of AAUs or RMUs previously held by Parties.

Building on this experience, all transfers carried out under the auspices of the FVA shall be levied by a per cent share of proceeds to be allocated to the adaptation fund.

→ **The FVA should establish rules to augment the Adaptation Fund with a share of proceeds from all internationally traded units transferred under the FVA.**



## 5. EFFECTIVE INSTITUTIONAL ARRANGEMENTS AND GOVERNANCE

### International oversight

Having little or no international oversight and quality control over credit issuance 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 general principles are insufficient to ensure that the use of internationally traded units does not lead to an increase in global emissions. Joint Implementation projects that are implemented under Track 1 are approved by host countries who also issue JI credits. There is very limited transparency and no requirements for stringent additionality testing. Countries with large amounts of AAU surplus used JI track 1 to convert a significant number of AAUs to JI credits. It is very unlikely that such sudden and large quantities of JI credits are real and additional. Such “hot-air laundering” therefore undermines the environmental integrity and threatens the viability of carbon markets.

Integrity of markets can only be achieved under binding and robust international governance structures under the UN to ensure the environmental integrity of the internationally traded units and full accounting for target attainment. A common international transaction-tracking mechanism must be established for all international internationally traded units used to meet mitigation pledges, with the assignment of unique serial numbers to each tonne transacted or registered. Detailed rules need to be established to address double-counting and enable a net atmospheric benefit. For example, clear rules are needed regarding the complementary relationship between different trading mechanisms.

### Public Participation

Public participation is recognized as a key principle for effective climate governance in Article 6 of the United Nations Framework Convention on Climate Change (UNFCCC, 1992). In various international environmental agreements (Agenda 21, the Rio Declaration on Environment and Development and the Aarhus Convention) stakeholder participation is recognized as a right and a means to ensure good governance, no violation of human rights, transparency, integrity and sustainable development.

### Institutional safeguards system

In the face of ample evidence of actions against climate change that have caused adverse impacts, including human rights violations, the need for a human rights based approach has increasingly gained momentum over the past years. Recognising this, Decision 1/CP.16 of the UNFCCC COP held in Cancun in 2010 established that “Parties should, in all climate change-related actions, fully respect human rights”.

In implementing the Cancun decision to fully respect human rights in all climate change-related actions, the FVA decision should establish a work program to establish an institutional safeguard system, including social and environmental safeguard policies; monitoring systems to ensure that safeguards are being respected; grievance mechanisms to ensure that affected peoples and communities can raise their concerns and have them addressed in a timely manner; and opportunities for meaningful and effective participation in all stages of relevant decision-making processes.

**Effective institutional arrangements and governance should be established:**

- Appoint a UN body to function as a standard-setting organization and to assess the environmental integrity of all internationally traded units according to modalities and procedures to meet the standards described in decision 2/CP.17, paragraph 79 and decision 1/CP.18 paragraph 42.
- All internationally traded units traded shall be fully accounted for by a rigorous, robust and transparent common accounting framework.
- Robust participation requirements for locally affected communities, building on the lessons learnt from the existing UN market mechanisms
- Launch a work programme to establish an institutional safeguard system, including social and environmental safeguard policies

## 6. CONSISTENCY WITH INTERNATIONAL AGREEMENTS

### International Civil Aviation Organization (ICAO)

In 1997 ICAO was tasked under the Kyoto Protocol to limit greenhouse gas emissions of aviation but sufficient climate action has yet to follow. At its 38th Assembly in October 2013, ICAO agreed to consider developing market-based measures (MBM). CO<sub>2</sub> emission from international flights would be stabilized at 2020 levels through the purchase of offsets and allowances from mechanisms in other sectors, such as for example, offsets from the CDM. In 2016, at the next ICAO assembly, countries will decide if such a global MBM will be established for post 2020. Technical and political ICAO bodies are currently working on determining the design elements of a global MBM.

In order to ensure transparency about the environmental integrity of internationally traded unit and to avoid fragmented standards across different international agreements, the FVA should establish robust rules to ensure the environmental integrity of internationally traded units. Moreover, accounting rules under a new climate agreement have to ensure that units used for compliance under an ICAO global MBM are not double counted.

### Montreal Protocol

Market-based approaches to controlling hydrofluorocarbons (HFCs) have been a signal failure, resulting in perverse economic incentives and higher greenhouse gas emissions to the atmosphere. A global agreement under the Montreal Protocol represents the most cost-effective and environmentally sound way of regulating their use.

Parties to the Montreal Protocol are currently considering several proposals to regulate the consumption and production of HFCs. As the body responsible for the successful ongoing phase-out of ozone depleting substances (ODS), the precursors to HFCs, the Montreal Protocol is uniquely positioned to adopt and implement a phase-out of HFCs. Often referred to as the most successful environmental accord in history, it has universal membership and has reduced a staggering 98% of 97 different chemicals.

A global phase-out of HFCs would in no way diminish the UNFCCC's ability or authority to regulate HFC emissions, but rather create a parallel and complementary process to those efforts, a view supported by the majority of

Parties to the Montreal Protocol at the 26th Meeting of the Parties to the Montreal Protocol (MOP 26) in Paris from 17-21 November 2014.

Carbon credits are typically issued after the emissions reductions have been achieved so do not constitute a good source of upfront funding for destruction of banks of ozone depleting substances. The potential funding from the carbon markets do not obviate the need to mobilize up-front funding for project development and implementation. Carbon markets are volatile so they are not likely to assure a steady source of funding for banks destruction over the long term.

### **Post-2015 Sustainable Development Agenda**

Another important parallel development is the post-2015 global development framework, which will include a set of new Sustainable Development Goals (SDGs) to replace the Millennium Development Goals (MDGs) in November 2015. The role of SDGs for the sustainable development objectives of UNFCCC mechanisms has not yet been clarified. In the time leading up to COP21 and the SDG process it will therefore be important to connect the dots and ensure that a future sustainable development agenda becomes a powerful tool to tackle climate change, including robust public participation rules, safeguards and a monitoring framework for sustainable development.

### **International Human Rights Law**

A significant and growing body of evidence shows that the effects of climate change can impact the realization of human rights. Beyond the effects of climate change itself, government action—and inaction—on climate change affects people, communities, and the environment on which we all depend. To prevent further harm and threats to environmental and human rights, the development, implementation and monitoring of climate policies must take human rights into account.

Decision 1/CP.16 established that “Parties should, in all climate change-related actions, fully respect human rights”. In addition, the framework is embellished by a number of widely accepted principles, such as ‘respect for the knowledge and rights of indigenous peoples and members of local communities’, the ‘no-harm’ principle, the ‘precautionary principle’ in implementing climate related actions and the principle of sustainable development.

Despite recognition of the importance to respect human rights in the implementation of the United National Framework Convention on Climate Change (UNFCCC), existing climate mechanisms under the UNFCCC lack a human rights legal framework and approach in their processes. For example, the Clean Development Mechanism (CDM), which has more than 8000 registered projects to date, does not have an environmental, social and human rights safeguards policy in place. It also lacks monitoring standards and robust public participation policies and has increasingly come under pressure over decisions to register CDM projects despite evidence of human rights abuses. To provide consistency with Parties’ existing obligations under international human rights law, as well as work being undertaken at the Human Rights Council, the FVA shall adopt an institutional FVA safeguards system as described above.

**Consistency with international agreements should be improved:**

- ICAO: Increase cooperation and synergies with the ICAO process for a global MBM for aviation emissions to avoid fragmented standards across different international agreements
- HFCs: Support the Montreal Protocol for a global phase-out of HFCs without the use of carbon markets
- Posts-2015: Create synergies with the process towards Sustainable Development Goals and ensure that sustainable development objectives of UNFCCC mechanisms are fulfilled
- Human Rights: Work with human rights bodies to implement existing human rights obligations in all activities related to climate mitigation

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**Contact details:**

*For queries from the back office in Brussels:*

Eva Filzmoser, Director

[Eva.filzmoser@carbonmarketwatch.org](mailto:Eva.filzmoser@carbonmarketwatch.org)

+32 499 21 20 81

*For queries related to the Paris Protocol:*

Dr. Katherine Watts, Global Climate Policy Advisor,

[katherine.watts@carbonmarketwatch.org](mailto:katherine.watts@carbonmarketwatch.org)

+44 7443 196420

*For queries related to the CDM reform and human rights:*

Juliane Voigt, Policy Researcher

[Juliane.voigt@carbonmarketwatch.org](mailto:Juliane.voigt@carbonmarketwatch.org)

+32 488 804 894

*For queries related to local realities and the Carbon Market Watch network:*

Pierre-Jean Brasier, Network Coordinator

[pj.brasier@carbonmarketwatch.org](mailto:pj.brasier@carbonmarketwatch.org)

+32 484 61 29 76