



**Submission to Subsidiary Body for Scientific and Technical Advice
On the role and technical design of the Framework for Various
Approaches**

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Introduction

PD Forum and CMIA consider that the most important starting point for this submission is to understand the scope of the FVA and as indicated in our previous submission to SBSTA (available at <http://www.pd-forum.net/files/ac0b982677ee12d233b748b704d6ccef.pdf>) we see the FVA as a framework within which all other national and international policies and measures reported and to be reported under the UNFCCC fit. In keeping with its function as a framework, we propose that the FVA should provide guidance and tools such as **common building blocks, open source methodologies**, procedures, templates etc. in order to help Parties develop and implement efforts which can be compared, facilitating the achievements of targets and comparability of economic burden.

The framework should act as an “**umbrella of minimum standards**” for all emission management and reporting activities under the Convention. The FVA should thus encompass existing and future mechanisms including those already existing under the Kyoto Protocol; build on existing accounting and reporting rules and guidelines; and incorporate new mechanisms such as the proposed new market mechanism and the non-market mechanism and concepts such as NAMAs. The FVA shall also recognize and distinguish between legally binding targets and voluntary pledges and facilitate an orderly transition from pledges to targets over time, appropriate to national circumstances. It may do this by differentiating between a specific requirement to apply guidelines and tools (shall) and an invitation to do so (may).

Response to call for input

On the role of the FVA

What is the purpose and scope of the FVA, including its role in ensuring environmental integrity?

The ultimate purpose of the FVA is to help Parties ensure that all activities reported under the UNFCCC are comparable in terms of effort (cost) and results (environmental integrity).

Comparability of effort or cost is necessary in order to ensure that resources are allocated most efficiently; that the 2°C target is achieved at the lowest cost to the global economy; and that all Parties bear a fair share of the burden.

Comparability of results is important to ensure that

- a) the determination of effort or costs is accurate; and
- b) to ensure that emissions and emission reductions are monitored and reported such that they are an accurate representation of environmental impacts of human activities.

For example, it is important to ensure that the calculation of emissions is performed in the same way and that emission reductions attributed to specific actions are not counted twice. Failure to ensure comparability of results and environmental integrity will most likely contribute to a failure to minimise the negative impacts of human induced climate change.

The Scope of the FVA is broad. Since it is a framework, nothing should be ruled out and indeed all activities reported or to be reported under the UNFCCC should potentially be included in order to ensure that all such activities have access to guidance and tools which will ensure that they are comparable. Specifically, any activity which impacts upon the accounting and reporting of Assigned Amount Units should be included within the scope of the FVA. For example existing mechanisms such as the CDM and JI should be part of the FVA, and new concepts and mechanisms such as NAMAs, new market mechanism(s) and non-market mechanisms should also be included to ensure that activities are comparable, financing support can be efficiently allocated, emissions and emission reductions accurately accounted and ultimately, targets and pledges compared.

The FVA should aim to provide structures to help Parties design emission reduction activities and build the institutional capacity required to support them.

The FVA will help to ensure environmental integrity by ensuring that the accounting and reporting of emissions and emission reductions under the UNFCCC is accurate.

What are the possible links between the FVA and other relevant matters under the Convention and its instruments?

Consistent with our belief that the FVA includes all activities under the UNFCCC, there are many possible links. The strongest of these links include links to existing mechanisms such as the CDM, JI and IET and existing reporting rules and guidelines. These links must be recognized in order to ensure that new instruments can co-exist under the FVA alongside existing instruments. For example, accounting units, reporting deadlines, reference years, calculation methods and default factors have already been established and these should be maintained and strengthened or, if they are considered unsuitable, they should be cut as soon as possible alongside the announcement of a clear change in direction.

Should the elements of the FVA operate under the principles, provisions and commitments of the Convention, and if so how?

Yes, the elements of the FVA should operate under the Convention. The purpose of the FVA is to promote comparability of effort and results and the UNFCCC is the only internationally recognized convention under which such an objective is possible. The Convention already covers internationally binding targets, voluntary pledges, a registry of CDM and JI projects and NAMAs etc as well as substantial guidance on measurement and reporting of emissions. In order to fulfil its role, the PD Forum and CMIA would envisage the creation of a framework of guidance and tools under the direction of the COP (delegated to an executive body, should the COP see fit to create one) and managed by the Secretariat.

On the technical design of the FVA:

How may the elements listed in decision 1/CP.18, paragraph 46, be elaborated given the options for the purpose and scope of the FVA expressed by Parties?

PD Forum and CMIA proposes that following a call for input, the Parties agree on Modalities and Procedures for the FVA in a similar manner to the Modalities and Procedures for the CDM, create an Executive Board, delegate authority to develop the FVA to that EB with support from the Secretariat.

Which experiences from the Kyoto Protocol flexible mechanisms, domestic and regional schemes, existing institutional arrangements and infrastructure are relevant to the elaboration of the FVA and how can they be applied to the FVA?

All experiences are relevant to the extent that they may be used to help Parties reduce emissions from activities reported under the Convention. Activities which impact upon any form of international transaction are therefore relevant and should be implemented in accordance with guidance and tools created under the FVA. Only domestic activities which have no international aspect, or bilateral / multilateral actions which do not result in changes to national inventories may be exempted from the scope of the FVA. However, we would note that such activities should be limited and ultimately non-existent because the overall goal of the Convention can only be achieved if all anthropogenic emissions are captured and reported. Domestic emission trading

schemes initially may be insulated from international transactions however, market theory and experience in other sectors shows that markets become more efficient and effective as they increase in size so ultimately, all ETS should aim to link. Therefore, it would be sensible for the FVA to define guidelines on the design of domestic ETS and build in options to link at a future date, or at least avoid the inclusion of barriers to linkage in future.

Two specific examples already exist and these are described in the Box 1 below.

Box 1: Two examples of activities which the FVA should seek to include

Example 1: The Japanese Joint Bilateral Offset Mechanism (JBOM) is designed to promote emission reducing technologies in developing countries. It is considered by some to be a hybrid of the CDM and JI. The JBOM results in the transfer of technology from Japan to a receiving Party and the resulting transfer of emission reductions back to Japan. On the one hand, the JBOM does not insist on strict demonstration of additionality and the transparent determination of the baseline (as is required under the CDM) and on the other there is no equivalent cancellation of AAUs in the host country account (as is required under JI).

As a result, the JBOM cannot currently result in the transfer of units which would likely be recognized by the UNFCCC under the FVA. The role of the FVA would be to define what criteria would need to be met and what design changes would need to take place to allow the JBOM to fit under the FVA umbrella.

Example 2: China is developing a number of domestic emission trading schemes in preparation for a national ETS. As part of their program, they are creating the concept of a China CDM and China CERs. We understand that they will mirror the CDM procedures but use their own China CERs as offsets within their own ETS. If this approach is extended to a national ETS, it may create problems in the future because it may become a barrier to linkage.

To overcome this problem, China would need to seek recognition for their China CERs from the UNFCCC or continue to use CERs issued by the CDM EB. If China CERs are not recognized by the UNFCCC under the FVA, then allowances under the Chinese ETS cannot be fungible with Assigned Amount Units and China's ETS will struggle to link with other ETS. Given the likely size of China's national ETS, this will have a major impact upon the overall efficiency of emission trading schemes.

Should the FVA assess the institutional arrangements of various approaches, and if so, how?

Yes, to the extent that host country institutional arrangements are important to a) the likely success of activities and b) the integrity of the reported results. The PD Forum and CMIA have previously referred to the concept of common building blocks which need to be implemented in order to ensure that results are comparable. Where these building blocks are implemented at a national level, then there is a requirement to ensure the adequacy of institutional arrangements. For example, accreditation of independent inspection bodies or the operation of national registries must conform with guidelines. For Parties with pledges, compliance with guidelines is less important but should improve over time whilst for Parties with targets, compliance is vital.

The UNFCCC already has experience with independent review panels to assess compliance with national reporting guidelines; some functions can be outsourced – such as the design and operation of registries; some solutions already exist in the private sector such as the International Accreditation Forum whilst the CDM EB already have experience in running an accreditation program.

What could be the role of a share of proceeds for the approaches under the FVA?

We do not see a specific role for a share of proceeds under the FVA. The CDM is currently the only mechanism for producing emission reductions for transfer within the UNFCCC and it already includes a share of proceeds in order to finance an adaptation fund and cash payments to run the CDM EB and associated Secretariat. The FVA, as a framework, would not specifically manage any such mechanisms. The FVA would provide guidance and tools which might contribute to the creation of other mechanisms such as the new market mechanism, which might include a share of proceeds, but this would be under the new market mechanism and not the FVA.

The PD Forum and CMIA has proposed that a share of proceeds be used to turn the CDM into a flexible mitigation instrument¹. To the extent that other instruments which promote emission reductions for offsetting in non-host countries are developed, the so-called “mitigation share of proceeds” or “mitigation fee” might be applied in a similar manner however we believe that most Parties will focus their attention on activities which contribute to host country mitigation rather than produce emission reductions to help other Parties meet their commitments and thus the FVA should reflect this by developing appropriate guidance and tools.

¹ Please refer to our previous submission for more details of this concept, <http://www.pd-forum.net/files/ac0b982677ee12d233b748b704d6ccef.pdf>

What common accounting rules, standards, criteria and/or procedures, if any, could be established under the Convention, taking into account internationally agreed common accounting rules, to ensure the environmental integrity of the approaches under the FVA, and avoiding all types of double counting, including mitigation outcomes and support?

The PD Forum and CMIA believe that the existing UNFCCC guidance on measurement and reporting of GHG emissions and emission reductions is already quite comprehensive for national level reporting whilst existing CDM and JI methodologies provide a very detailed level of understanding of emissions from specific technologies. Other ETS such as the EU ETS have developed additional means of accounting of emissions and determining allocations at a sectoral installation level. Registries play a key function in issuing and tracking allowances and ultimately, double counting may be avoided by ensuring that all tradable emissions are retained and accounted for within national registries.

Tracking of financing activities is more difficult and more work is required to ensure that this is done in a transparent manner avoiding double counting.