

## **Norwegian submission on a framework for various approaches including opportunities for using market mechanisms**

Norway welcomes the opportunity to submit its view in accordance with paragraph 48 of FCCC/CP/2012/8/Add.1. This submission focuses on the framework for various approaches. A separate submission has been made on the new market-based mechanism.

In our view, the scope of the framework for various approaches is to provide a sound basis for considering and capturing approaches that Parties develop to enhance cost-effectiveness, and that can facilitate an increase in mitigation ambition. We focus on market-based approaches and the role that the framework can have for promoting mitigation actions through markets, but we are open to discuss proposals for non-market approaches. The further discussions should target the issues listed in paragraph 46 of Decision 1/CP.18.

The accounting of credits from international market mechanisms is closely linked to the accounting of national emissions and the achievement of pledges. The framework 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.

An international framework is only necessary for credits that would cross borders. National level market approaches would not be affected, as the emission reductions from such measures would be reflected in the national emissions inventory. Establishing a robust international framework for the approval and tracking of internationally traded GHG credits, or units, is needed to maintain trust in the use of market mechanisms to meet mitigation targets and actions under the UNFCCC. Norway sees a robust international framework as necessary to ensure the environmental integrity of units from market mechanisms, and of accounting for mitigation commitments. Fungibility of units and liquidity in the international carbon markets are long term targets. With a greater variety in the types of post-2012 pledges and targets, the flow of GHG units from market mechanisms may also become more complex and multi-directional, underpinning the need for a strong international accounting framework.

Two basic elements need to be in place to create an accounting framework for internationally traded units. Firstly, certain minimum standards are needed to ensure the quality of the units to be used against the achievement of GHG target or pledges. Secondly, an international system, such as the ITL, is needed in order to be able to track the flow of units to avoid double counting. When designing an international framework one faces a choice between increased flexibility in the design of market mechanisms at the national level, and the level of international governance that can ensure minimum environmental quality standards and some level of oversight of the flow of credits.

Norway's view is that the UNFCCC would continue to play an important coordinating role. Parties should agree on common criteria for defining and recognising all types of units that are transferred over country borders. Such criteria would serve to ensure the environmental integrity of the units. The UNFCCC could also retain its role of accrediting verification agencies, which in turn would have to verify emission reductions according to the rules of the

nationally developed mechanisms, but also that the activities adhere to the common criteria or standards agreed by Parties. Common criteria could involve an environmental quality test based on for instance a standardised baseline approach, demonstration that already implemented projects and legally mandated projects are not credited and use of common global warming potential (GWP) values. Other UNFCCC eligibility criteria could include principles for methodology development and monitoring standards.

Norway believes that pursuing a framework under which Parties agree common criteria for definition and recognition of units will create trust in units from different market mechanisms, and reduce the risk of fragmentation of international carbon markets. How effective such a framework would be, depends largely on the quality and stringency of the commonly agreed criteria as well as the functioning of international tracking and governance systems. Maintaining the UNFCCC's role in accrediting verification agencies, combined with the requirement that verifiers confirm that the common criteria have been fulfilled would also contribute to creating trust in the quality of different units. Norway argues for a more centralised governance framework, as we believe this could also facilitate the establishment of a system based on a common international allowance unit in the future.

In addition to unit eligibility criteria, a second element required in an accounting framework is a system for tracking the flow of units. Different options are possible here as well, with one option being the expansion of the ITL in its existing form also for non-UNFCCC mechanisms<sup>1</sup>. Norway is in favour of a centralized, expanded ITL that will perform both technical and policy-related checks for all market mechanisms. Including policy-related checks would allow the system to check at the issuance stage whether the units transacted originate from a mechanism that fulfils the eligibility criteria before executing a transaction.

Norway believes it is time to begin detailed discussions on the framework for various approaches. Discussions should target the two basic elements need to be in place to create an accounting framework for internationally traded units: 1) certain minimum standards to ensure the quality of the units, and 2) international system, such as the ITL, to be able to track the flow of units to avoid double counting. In order to facilitate fruitful discussions, Norway sees the need for a technical paper produced by the secretariat addressing the key issues of this framework. A workshop should be held as quickly as possible after production of the paper and in good time prior to the next COP session. The workshop should be designed to be a forum for Parties to exchange views on and address the issues raised in the paper, as well as in any submissions from Parties. The workshop should also discuss options for draft conclusions for the work program on the framework for various approaches that can be forwarded to the COP at its 19<sup>th</sup> session. Furthermore, we see value in compiling information on plans and proposals for various approaches, and doing pilot studies or pilot projects as a basis for further work, and for considering what would be needed for international recognition of nationally developed mechanisms.

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<sup>1</sup> This would require COP/MOP decision