

Non-market-based mechanisms

AWG-LCA 14

Switzerland welcomes the opportunity to provide input on the elaboration of non-market-based mechanisms.

Non-market-based mechanisms already contribute to climate change mitigation and low-carbon development. In principle, they include all nationally appropriate mitigation actions as long as these are not considered as market-based approaches. However, the focus of the AWG-LCA for the establishment of non-market-based mechanisms should be on approaches that enhance the *cost-effectiveness* and *promotion* of mitigation actions.

Structuring negotiations for catalysing a common understanding

In order to ensure that negotiations on non-market-based mechanisms are efficiently structured and organised, Switzerland would like to point some elements which will need further clarification and discussions during future negotiations.

Firstly, as it is not clear yet - besides regarding cost-effectiveness - how far non-market-based mechanisms are different from NAMAs and which concrete proposals for mechanisms could be considered for establishment at COP17, we propose that an in-session workshop be organised in Bangkok to discuss concrete suggestions and identify key issues which need further clarification, including priorities in the process of developing new mechanisms and links to existing initiatives.

Secondly, negotiations should be structured according to these key issues in order to further elaborate on characteristics, modalities and guidelines with a view to recommending a draft decision to COP17 for consideration. Parties, international organisations and stakeholders could be invited to make presentations at additional in-/pre-session workshops and to submit their views on specific issues or proposals.

To this end, Switzerland suggests that negotiations be structured according to the following key questions, inter alia, which will need further clarification during future negotiations:

- **Priorities for the process:** Which priorities should be set in the discussions on the establishment of non-market-based mechanisms?
- **Connections and interdependencies between issues within the UNFCCC:** What are the interlinkages and interdependencies between the new mechanisms, emissions reductions commitments, NAMAs and the climate financing framework? In particular, what distinctive characteristics do non-market mechanisms have compared to NAMAs? What other interlinkages may exist and how should they be addressed?
- **Underlying principles:** What specific principles and characteristics should underpin non-market-based mechanisms?

Thirdly, if required, COP17 could decide on a work programme to be established under SBSTA in order to further operationalise the development of new mechanisms and elaborate modalities and procedures. Switzerland suggests that the work programme includes a work plan with 1) a first phase which consists in elaborating the framework in which the new non-market-based mechanisms will be anchored and identifying connections between issues addressed within the UNFCCC framework and 2) a second phase where modalities and procedures for the new mechanisms will be developed, taking into account the interlinkages that have been identified.

Possible non-market approaches for enhancing cost-effectiveness of and promoting mitigation actions

In view of the aforementioned issues, Switzerland would like to make some suggestions regarding possible non-market-based approaches that could be considered and critical issues that could be discussed during workshops and in submissions:

- **Removal of fossil fuel subsidies:** Since fossil fuel subsidies are estimated to 400-700 billion USD (total of both production and consumption subsidies) per year¹ and because a full phase-out of subsidies by 2020 could lead to a 10% reduction in global GHG emissions by 2050², the removal of fossil fuel subsidies in both developed and developing countries could make an important and cost-effective contribution to climate change mitigation and also provide additional financing resources for mitigation and adaptation actions. In this regard, it is important to link discussions that already take place in regional and international organisations and within other groups to increase efforts for research, analysis and international awareness. Critical issues for catalysing such efforts include finding a basis for common actions, discussing the potential for actions and adequate types of actions, elaborating on links to NAMAs, exchanging best-practices and evaluating possibilities for policy and technical support, considering cross-cutting issues such as social consequences for poor populations.
- **Phasing down of the production and the consumption of hydrofluorocarbons:** In a way to address the risk that the Montreal Protocol in phasing out HCFCs tends to phase in HFCs, and taking in account the very high GWP of these gases, synergies between both institutions should be encouraged in order to find an appropriate solution, including the possibility for Parties under the UNFCCC to invite Parties under the Montreal Protocol to address the issue of HFCs and to establish control and financing measures for the phase down of HFCs. Addressing this issue in a new way would allow the maximization of impacts that policies and actions have on both the protection of the ozone layer and climate change mitigation, in a cost-effective manner and in line with environmental integrity.
- **Promotion of enabling environments for the implementation of clean technologies and climate-friendly investments:** Enabling environments, including the removal of legal, procedural and technical obstacles, are key factors in the promotion of clean technologies and climate-friendly investments, thus having the potential to promote mitigation actions in a cost-effective manner. Additionally, risk mitigation instruments could also be considered as possible vehicles for fostering mitigation actions by increasing incentives for clean investments in a cost-effective way. However, linkages to other discussions (in particular on financing and technology transfer) need to be considered first in order to avoid duplicating efforts.
- **Elaboration of ecological standards and development of global environmental labels through a multistakeholder process:** Since standards for producers (e.g. energy-efficiency standards of appliances) as well as information to consumers (e.g. footprint of products, transparency and harmonisation of labels) are key for incentivizing changes in the production and consumption patterns, these instruments can be considered as another possibility to elaborate further on with regard to possible non-market mechanisms.

¹ Global Subsidies Initiative, <http://www.globalsubsidies.org/>

² OECD/IEA