

**AD HOC WORKING GROUP ON FURTHER COMMITMENTS FOR ANNEX I  
PARTIES UNDER THE KYOTO PROTOCOL**

**NEW ZEALAND SUBMISSION  
11 MARCH 2009**

1. The Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP) invited Parties to submit to the secretariat, by 15 February 2009, their views on matters relating to: the consideration of the scale of emissions reductions to be achieved by Annex I Parties in aggregate; the contribution of Annex I Parties, individually or jointly to the scale of emissions reductions; and other issues arising from the implementation of the work programme, for compilation by the secretariat into a miscellaneous document for consideration by the AWG-KP at its seventh session.
2. New Zealand welcomes the opportunity to submit information on these issues, and notes that information contained within this submission is supplementary to our previous submissions to the AWG-KP in 2007 and 2008.

**Summary of key points**

3. New Zealand is prepared to take on its fair share of future commitments to address climate change, in the context of a global agreement that has comparable effort from all developed countries and nationally appropriate mitigation action from developing countries. A long term global goal for emission reductions will be important to guide the international community's mitigation efforts.
4. Consideration of the scale of emission reductions to be achieved by Annex I Parties in aggregate needs to be informed by both a top-down assessment of the global reductions required, and a bottom-up analysis of individual Parties national circumstances. Within this submission, New Zealand proposes a conceptual framework that could be used to assess comparable effort among Annex 1 Parties. This proposal will enable a transparent and equitable consideration of the mitigation efforts by Annex I Parties, given each Party's national circumstances. New Zealand is planning to present the framework and discuss its possible application at the pre-session workshop in Bonn.
5. The concept of "rules before commitments" remains an important issue for New Zealand. The AWG-KP has not completed its work on the means available to Annex I Parties to reach their emission reduction targets, nor on methodological issues. This is of particular relevance for New Zealand, where the estimation and accounting of a large portion of our emissions and removals, and mitigation technologies, are subject to improvements and changes to the future rules.

**Scale of emissions reductions informed by climate science**

6. Consideration of the scale of emission reductions to be achieved by Annex I Parties needs to be informed by both a top-down assessment of the global

reductions required to avoid dangerous climate change, and a bottom-up analysis of individual Parties' national circumstances.

7. New Zealand considers that scientific assessments of climate change, such as those done by the IPCC, should inform consideration of the emissions reductions required to be achieved globally. This 'top-down' approach ensures environmental integrity and the effectiveness of mitigation efforts. Global emissions budgets provide a useful way of representing how much global mitigation is required, for any given level of warming/atmospheric stabilisation concentration.
8. Scientific assessments would inform Parties as they develop positions and ultimately agree on:
  - a. The "optimal" or "safe" atmospheric stabilisation concentration of greenhouse gases in the atmosphere in accordance with the Objective of the Framework Convention under Article 2, taking into account the latest available science, including the findings of the IPCC's Fourth Assessment Report (Working Group I) and subsequent work.
  - b. The associated long term global goal for emissions reductions and related global carbon budgets that are required to meet this stabilisation goal. These discussions need to be held in both the AWG-KP and the AWG-LCA.
  - c. A global emissions budget post-2012 required to achieve a stabilisation target agreed by all Parties.
9. To ensure an equitable and effective approach to share the post-2012 global emissions budget, emissions reductions to be achieved by Annex I Parties need to be agreed in conjunction with a comparable mitigation effort from other countries in a position to do so, and nationally appropriate mitigation actions from developing countries. A broader effort is required than at present as mitigation commitments under the Kyoto Protocol currently apply to less than 30 percent, and a rapidly declining share, of global emissions.
10. The IPCC has provided some insights into the mitigation effort required in the medium term (AR4, Box 13.7). However, New Zealand would welcome further discussion on the efforts required immediately following the end of the first commitment period as well as greater transparency on the assumptions underpinning the analysis which differentiated the proposed reductions of Annex I and non Annex I Parties.

#### **Framework for assessing comparable mitigation effort**

11. To assist with the process of determining what represents a fair mitigation target for individual Annex I Parties, New Zealand considers that it would be useful to develop a conceptual framework which could be used to assess whether each target would result in a fair level of effort, given each Party's national circumstances. The approach used within the conceptual framework and any model on which it was based would need to be both coherent and transparent, and underpinned by the principles of the UNFCCC, which states in Article 3.1 that Parties should protect the climate *on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities*.
12. To ensure mitigation action is taken on the basis of *equity* any approach to assess comparability must take into account the economic costs a country faces in meeting a target. The costs that a country would face in meeting a target are a function of:

- a. baseline, or 'business-as-usual', emission projections
  - b. the mitigation potential within the economy
13. The baseline emission projections of each Annex 1 Party over a commitment period are an important factor to consider, as it enables the different national circumstances of countries, in terms of the population and economic growth, to be taken into account. A country that is predicted to have high population growth, for example, would therefore receive a less stringent target, all else being equal, than a country that is predicted to have low population growth as otherwise there would be a significant divergence of per capita effort.
14. A country's mitigation potential is the aggregate of the mitigation potentials of each of its sectors. Sectoral mitigation potential can be defined as the amount of abatement possible for a given carbon price, represented by marginal abatement cost curves. Countries with lower costs of abatement in certain sectors have higher mitigation potential in those sectors and can therefore afford to have a more stringent target, and vice-versa. The higher the costs of abatement, the less the mitigation potential, and the more difficult it is to meet any given target. Taking into consideration domestic mitigation potential when setting individual country targets shares the costs of the mitigation effort relative to the opportunities for mitigation that exist in each country. It also avoids penalising countries who have more carbon efficient economic production (as the more carbon efficient a country is the less potential they have to reduce emissions), thereby providing an incentive for countries to continually strive to improve their carbon efficiency.
15. A model based on this framework could therefore use a set of emission projections and abatement cost estimates for each Annex 1 Party, to quantify the relative impact on GDP that each country would face in meeting certain targets. To improve results, New Zealand would encourage the sharing of information on these emission projections and abatement cost estimates between Parties and international institutions. While information from models is useful, to enhance the transparency of a model New Zealand would suggest using specific indicators that could be aggregated in a way that would result in a proxy baseline based on the relative efficiencies of each sector, and abatement cost estimates.
16. While an economic approach to assess comparability is necessary so that each country faces their fair share of the costs of reducing global emissions, New Zealand recognises that principles of responsibility and capability also need to be considered when determining whether a specific target is fair. Specific indicators which capture these principles will therefore be integrated within the support tool.
17. Given the potentially large differences in baseline projections and mitigation potential and other relevant criteria of Parties, it is to be expected that there will be a large spread in the emission reduction targets, and greater than the spread of targets allocated of Annex I Parties in the first commitment period.

### **Rules before commitments**

18. The concept of "rules before commitments" remains an important issue for New Zealand in the AWG-KP. The AWG-KP has not completed its work on the means available to Annex I Parties to reach their emission reduction targets, nor on methodological issues. This is of particular relevance for New Zealand, where

the estimation and accounting of a large portion of our emissions and removals, and mitigation technologies, are subject to improvements and changes to the future rules.

19. The contribution of individual Annex I Parties must be decided after the rules are determined, including the following rules:
  - a. The definitions, modalities, rules and guidelines for the treatment of land use, land-use change and forestry (LULUCF) in the second commitment period;
  - b. The coverage of greenhouse gases sectors and source categories (including the treatment of international bunker fuels); and
  - c. The metrics used to calculate the carbon dioxide equivalence of anthropogenic emissions by sources and removals by sinks; and
  - d. The rules surrounding the design and use of the flexibility mechanisms.
20. Finally, building support domestically for future emission reductions by Parties will be less difficult if the full potential of emission reduction opportunities that exist globally is made available. Unnecessarily increasing the costs of meeting any given target would reduce the international community's level of ambition. Improving the rules for the second commitment period in ways that maximise these opportunities will be of benefit to all Parties, and be consistent with Article 3 of the Convention – that policies and measures to deal with climate change should be cost-effective so as to ensure global benefits at the lowest possible cost.