

## VIEWS OF BRAZIL ON ACCELERATING THE IMPLEMENTATION OF ENHANCED CLIMATE ACTION

### **Positive Incentives for the Promotion of Early and Additional Action: Recognizing the Social and Economic Value of Mitigation Activities**

1. The Government of Brazil welcomes the opportunity to submit views to the Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP) and presents an approach to create positive incentives for accelerating the implementation of enhanced climate action, through the recognition of the social and economic value of mitigation activities.

2. The Brazilian government believes that the global benefits of engaging in activities related to tackling climate change outweigh the costs associated with them. As HE President Dilma Rousseff expressed in her speech at the UN Climate Summit, on 23 September 2014, "we must overcome the logic that preventing climate change negatively impacts the economy. Actions to reduce emissions and to foster adaptation must be considered a source of wealth, as they attract investments and warrant new initiatives of sustainable development." In light of IPCC SYR-5 findings on the growing economic and social costs resulting from climate change, UNFCCC Parties should seek ways and means to provide positive incentives for countries to act against climate change as early and as ambitious as possible.

3. Consistently with its mandate of facilitating pre-2020 ambitious action, ADP Workstream 2 should further explore ways and means to achieve early and additional mitigation results, with a view to closing the existing emissions gap and contributing to the fulfillment of the ultimate objective of the Convention. In this sense, ADP Workstream 2 should promote the engagement with financial and monetary policy experts and researchers, with a view to creating a *locus* for discussion of positive (economic, financial or monetary) incentives to Parties and all stakeholders willing to act as early and as ambitious as possible to tackle climate change. Such engagement could start by scheduling a Technical Expert Meeting (TEM) to consider the relationship between the promotion of early and additional mitigation actions by Parties and the recognition of such actions through positive (economic, financial or monetary) incentives. Involvement of key multilateral financial institutions would contribute to mobilize support and motivate further discussions in this regard, according to each institution's mandate.

4. The TEM could address, *inter alia*, the potential benefits to the climate system of recognizing, at the appropriate multilateral level, the social and economic value intrinsic to mitigation activities. For that purpose, it would be important to consider how to develop possible instruments to recognize the results of early and additional action undertaken by Parties and to translate them into units of convertible financial value, for the purpose of

backing further investments for the implementation of national sustainable development policies. This notion differs from the so-called "carbon precification" because it changes the focus from carbon costs, to be borne by economic agents, to the creation of a carbon mitigation value, to be recognized as a source of wealth and development. As a result, such approach has the potential to generate positive incentives for all stakeholders to further engage in low-carbon activities, contributing to the attainment of the UNFCCC ultimate objective.

5. The social value of mitigation activities stems from the level of effort and work undertaken by local communities in reducing or limiting their emissions. That involves not only local governments but also non-governmental organizations, social movements and workers' unions, as stakeholders that expect to have their efforts at local level recognized as relevant contributions to tackle climate change. Relevant action could include, for instance, the implementation of environmentally sound management of waste, low-carbon local public transport and mobility services, energy efficiency gains in replacing public illumination by low-emission alternatives, adaptation practices in agriculture that result in lower emissions, introduction of clean and renewable fuels, among other actions that lead to verified mitigation results and may be implemented in partnerships and in a decentralized way. Such recognition would be in line with the notion of environmental services. The economic value of such approach stems from the recognition of its social value, by creating a consistent, coherent and long-term system of results-based payment through attribution of a financial value to verified mitigation actions, to attract further investments and incentivize further action.

6. The results of the TEM could inform a policy discussion at ADP or SBSTA, prior to COP-21, aiming at further elaborating on the recognition of early and additional action under the UNFCCC, taking into account the accumulated experience by UNFCCC and Kyoto Protocol bodies and mechanisms. The aim of such discussion would be to identify what steps are needed toward the recognition of verified mitigation results as units of convertible financial value, based on their intrinsic value as early or additional contribution by Parties to implement the Convention.

7. For the purpose of interlinking the work of ADP Workstreams 1 and 2, in particular for the period post-2020, the recognition of early and additional action by Parties under the UNFCCC could offer a role for Workstream 2 after 2015 and potentially after 2020. In that regard, "early action" could include pre-2020 activities that present quantified emissions reduction that have been undertaken voluntarily by Parties, with verified results. "Additional action" could include post-2020 activities that exceed the achievement of Nationally Determined Contributions (NDC) that Parties will commit to under the 2015 agreement, provided that Parties will not lower the ambition of their NDC for the purpose of producing artificially increased results to be accounted for as "additional action". In this regard, core rules to be included in the 2015 agreement need to be considered by ADP Workstream 1. The objective would be that quantified mitigation results from actions recognized as additional in the post-2020 period could, at the discretion of each Party, be used as a financial backing to support further mitigation actions, promoting a virtuous cycle building upon the benefits generated from previous verified results.

8. The participation of multilateral financial institutions and Parties' financial authorities and Central Banks is instrumental to the establishment of specific rules on economic and financial instruments designed to further support Parties that choose to use the results of early and additional action to financially support further mitigation activities. A decision by UNFCCC COP would send to financial actors a right signal that governments are ready and willing to incorporate the social and economic value of mitigation activities into their respective national policies. As a consequence, financial regulators could devote efforts to develop ways to implement such policy decision, for instance through the issuance of mitigation-backed securities or other instruments to provide additional finance to stakeholders engaged in low-carbon projects and activities, at levels that correspond to UNFCCC-verified mitigation results of that Party.

9. Multilateral recognition of the social and economic value of early and additional carbon mitigation activities would greatly contribute to closing the ambition gap before 2020 and to supporting further ambition by Parties in the post-2020 period. Only quantified mitigation resulting from the implementation by Parties of specific national policies should be recognized as early and additional action. Early and additional action should translate effective mitigation efforts by a Party. It should not derive from specific unintended circumstances, e.g economic downturns or natural events. Units of convertible financial value resulting from early and additional action by Parties should not be eligible for trading under flexibility mechanisms, for instance market-based mechanisms, to be established under UNFCCC or the 2015 agreement.

10. The translation of results from early and additional action into units of convertible financial value could provide an additional channel for developed country parties to facilitate implementation of their obligations under Articles 4.3 and 4.4 of the Convention. A share of proceeds from the issuance of government-backed mitigation-referenced financial instruments could contribute to the Green Climate Fund (GCF) and to support adaptation activities in developing countries.

### **Proposed decision by COP-20**

11. The Conference of the Parties should provide a clear political signal of its willingness to recognize the social and economic value of early and additional mitigation activities under the UNFCCC and to translate their verified results into units of convertible financial value, for the purpose of attracting investments and further promoting the implementation of national sustainable development policies by Parties. A Technical Expert Meeting under ADP Workstream 2 should be scheduled in an ADP session prior to COP-21 as a starting point to facilitate the consideration of the matter. ADP Workstream 1 should consider how to reflect this approach into the elements of the 2015 agreement.