



**Republic of Argentina**

**Scope and content of the second review of the Kyoto Protocol pursuant to its Article 9**

In the draft conclusions proposed by the chair of the Subsidiary Body for Implementation (SBI) in its twenty-eighth session held in Bonn, 4 -13 June 2008, and in relation to Agenda item 12: Preparation for the second review of the Kyoto Protocol pursuant to its Article 9 (FCCC/SBI/2008/L.14), the SBI recommended that the CMP give attention, in particular, to the issues listed in decision 4/CMP.3, paragraph 6, and further recommended that the CMP take appropriate action at its fourth session of, inter alia: “On the issue of the scope, effectiveness and functioning of the flexibility mechanisms, including ways and means to enhance an equitable regional distribution of clean development mechanism (CDM) projects” (Paragraph 8, (d)), and “...invited Parties to submit to the secretariat, by 19 September 2008, for compilation and synthesis, their views on: (1) ways and means to enhance equitable regional and sub-regional distribution of CDM projects; and (2) how the current institutional arrangements, governance, rules and procedures of the CDM and joint implementation may be improved in the first commitment period in order to enhance their functioning and effectiveness” (Paragraph 8, (d), (iii)).

In this regard, the Government of Argentina would like to submit its views and suggestions.

a) On the enhancement of the effectiveness of the Clean Development Mechanism

Argentina believes that carbon markets have a key role to play to mobilize the private sector and its resources to support GHG mitigation activities, in particular mitigation actions in developing countries. The market alone cannot, however, generate the financial flows necessary to address the global challenge of climate change, but must be led by and combined with public initiatives and funding. In addition, current carbon markets need to be scaled up to deliver the amount of financial flows required to accomplish the task. The CDM, in its current form, is a minor portion of the global mitigation requirement and serves only to compliment what should be major efforts by Annex I countries to meet their mitigation commitments under the Kyoto Protocol at the national level.

Under the existing project-by-project approach, the CDM has limited potential for further growth considering the inordinant level of effort required to: define individual baselines, demonstrate



additionality case-by-case, and to monitor and verify each individual project. The programmatic CDM could be a step forward to tackle these issues, and thereby increase GHG mitigation, although the effectiveness of the programmatic CDM remains to be proved.

Argentina believes that the goals of the Convention could be further served with an improved approach to this particular market mechanism, based on measurable, reportable and verifiable GHG reductions generated by nationally appropriate mitigation actions by developing countries.

An improved approach should introduce: a) baselines established for each of the main economic sectors in a country by country basis, b) additionality criteria based on common practices and benchmarks also defined for the main economic sectors in a country by country basis, and c) statistically-based monitoring and verification plans together with monitoring based on GHG inventories of the sectors involved. Both baselines and benchmarks should be periodically reviewed and updated according to the evolution of national circumstances.

Additionally, the new approach for the carbon market mechanism should introduce a number of conditions, criteria and factors that allow for, inter alia, a better regional distribution of the mitigation actions and the financial flows needed to overcome the incremental costs involved in the development and implementation of such actions. An improved CDM should also incorporate conditions that avoid market biases, such as those that have arisen in the current CDM, relating to activities that mitigate gases different from carbon dioxide (see paragraph b) below).

Argentina believes that an approach that is tailored to national sector-specific needs and priorities as well as GHG mitigation contribution provides the appropriate platform to scale up private sector funding and investment in developing countries, thus promoting climate solutions in the context of sustainable development. Such an approach can, in concert with public sector financing from developed countries, further assist in achieving the massive levels of financing and technology transfer necessary to address of climate change in a measurable, reportable and verifiable manner.

b) On including co-benefits as criteria for registration of project activities and/or mitigation actions

As a criteria for registration of project activities and/or mitigation actions, Argentina supports the inclusion of a percentage of incremental costs and of total investment costs paid as advance payment of future credits as well as specific co-benefits such as technology development and transfer to be



defined by means of simple-to-calculate indicators. Co-benefits should be evaluated in the first place by the host country using the established indicators, and verify later by a DOE or similar institution.

In pursuing a more balanced regional distribution of project activities as well as a more balanced distribution in terms of type of GHG, Argentina believes that quotas could be explored and established for developed countries to determine the maximum amount of emission reductions allowed from each region and from each type of GHG.

c) On carbon capture and storage

In relation to the inclusion of carbon capture and storage activities in the CDM, we consider the use of this technology only as a possible transitory mitigation activity while the world prepares and moves towards a sustainable development path supported by environmental sound technologies based on renewable resources. Considering their short and long-term liability in relation to leakage and other unforeseen environmental impacts, Argentina could conditionally support CCS activities as temporary CDM activities, with a clear deadline for the use of CERs issued for such project activities.

d) On the institutional arrangement of the future CDM

For the new approach proposed for the carbon market mechanism, Argentina deems necessary a supervisory structure different from the current CDM Executive Board. We believe it is necessary that the new mechanism be regulated by a high-level body that deals with strategic issues such as establishing guidelines to ensure equitable regional distribution of the mitigation activities and associated financial flows, developing and proposing indicators necessary to measure development and transfer of technology as well as other co-benefits that may contribute to sustainable development of mitigation actions, avoiding market biases that favour certain activities, addressing environmental integrity issues with global impacts (e.g. biofuels), etc.

This high-level body could also resolve disputes and controversies that may arise regarding eligibility of mitigation actions among other issues. This body should have a regional representation as other similar bodies under the UNFCCC.

The high-level body should be supported by technical panels integrated by full-time experts from different fields to deal with issues such as country specific sectoral baselines, common practices and



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benchmarks, GHG inventories, monitoring and verification plans, registration of mitigation activities and actions, issuance of credits, etc.