

New Zealand

A Submission to the Ad-Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP)

Potential Consequences

4 May 2009

New Zealand welcomes the opportunity to comment on this agenda item. We recognise and share the concern that some climate mitigation policies may have unintended consequences for other countries and regions. It is appropriate that that the issue be discussed under the UNFCCC framework. However, the degree of duplication caused by the item being on several agendas detracts from the clear focus that should be given to the topic. New Zealand considers that all discussions on potential consequences/impacts of response measures etc should be consolidated under a single agenda item. As is explained below, we consider the Subsidiary Body for Implementation (SBI) agenda is most suitable for taking the issue forward, and avoiding duplication in the two current ad-hoc working groups.

2 All Parties can expect that climate change will bring significant environmental, social and economic changes to which they will need to adjust. Many Parties, and not just those in Annex 1, have sufficient resources to adjust to changing circumstances. But it is essential that in this agenda item, as in others, that most concern is had for vulnerable countries with the fewest resources to assist them in such changes.

3 Article 2 paragraph 3 of the Kyoto Protocol appropriately recognises that all Parties may suffer adverse effects from the response measures and policies put in place by Annex 1 Parties. As a distant island nation, New Zealand, too, has concerns about potential adverse effects, including for example from unilaterally imposed border taxes and restrictions, and carbon leakage. Unilateral measures and incomplete coverage of mitigation disciplines carry the potential to distort and undermine the multilateral rules-based trading and financial systems by discriminating against or unevenly impacting some countries: we note the specific reference to minimizing adverse effects on international trade in Article 2 paragraph 3. That's why New Zealand considers it so important that the Copenhagen outcome is comprehensive, covering all major emitters, and that there is a global solution to mitigation in the international aviation and maritime sectors.

4 The complex interaction of policies in both Annex 1 and non-Annex 1 Parties does not easily allow simple/linear analysis. Experience has shown that attempts to predict impacts, particularly second-order impacts, of economic and regulatory policies have a low degree of accuracy. Some lessons may be drawn from experience with trade policy - there is a significant body of evidence about the impact of agricultural subsidies and non-tariff barriers on third country producers and exporters, for example - but quantification of impacts would be complex and would need to take into account not only the co-benefit that mitigation policies will lead to avoiding dangerous climate change, but also more direct co-benefits (for example establishment of an emissions trading scheme may decrease demand for fossil fuel but will also spur investment in technology development and lead to greater demand for Clean Development Mechanism (CDM) credits which assists developing countries move to a low carbon development pathway).

5 It may still be the case, however, that Parties consider that the implementation of certain mitigation policies by all or certain Annex 1 Parties has an undue impact on them. Where this has a bilateral nature - a border tax adjustment targeting certain countries could be an example - Parties have in the first instance the channel of ordinary diplomatic relations through which to raise concerns. Some concerns may be in fields that are already subject to international rules, such as in the WTO, and Parties should avail themselves of appropriate existing channels in the first instance. The UNFCCC should not become a forum to relitigate disputes from another forum.

6 Nevertheless, New Zealand would agree that there is value in having a multilateral platform under the UNFCCC in which to raise and explore issues and concerns around the potential impacts of response measures of Annex 1 Parties. This channel already exists: Annex 1 Parties are required to report on implementation of commitments in their national communications. Annex 1 Parties are now preparing their 5th national communications, which will be the first since the beginning of the commitment period. They will be reporting on implementation of commitments and undertakings, and there will be discussion on this along with other issues raised in national communications in the SBI. We would strongly encourage all Parties, but especially the most vulnerable countries, to contribute to the discussion on this point in the SBI so that it can be full and fruitful. This can be done by either written or oral submission and is likely to be the most simple and direct route by which concerns can be raised. If the SBI considers action is warranted, it has the option of seeking the assistance of the SBSTA to delve further into technical aspects of issues raised. If there are concerns about Annex 1 Parties' implementation, the SBI is the most appropriate place to raise them. This is a channel which has yet to be tested, but there is no reason to assume it will not be effective. New Zealand sees no reason to consider establishing a separate channel.

7 All Parties may also raise their concerns about the impacts of implementation of commitments through their own national communications.

New Zealand strongly encourages Parties to do this. If national communications are felt to be too infrequent, we consider that Article 12 of the Convention also enables such issues to be raised in annual inventories (also leading to discussion in SBI). Besides the fact that this channel provides a permanent forum for discussion (SBI) and leads to the possibility of technical work (SBSTA), another advantage for developing countries is that assistance is available for preparing national communications (UNFCCC Article 4.3). New Zealand considers that the two routes to raise information at SBI, along with the available assistance, are fully adequate for the purposes of this agenda item.

Proposed COP Decision

The Conference of the Parties,

1. *Invites* all Parties to provide information on any impacts arising from the implementation of their commitments under the Convention and any related instruments as part of their national communications, for consideration by the Subsidiary Body for Implementation.

