# MORATORIUM ON CARBON MARKETS

**Warsaw, November 2013**

*In 2012 in Doha, developed countries again offered weak emission reduction pledges and no increased finance commitments. Yet in 2013 they want to focus discussions on establishing new markets, both within and outside the Convention. This is a dangerous distraction from the requirement for developed countries to undertake deeper emission reduction targets and offer the real finance and technology transfer that are so desperately needed.*

## On the table in Warsaw

Negotiations will continue on three linked agenda items related to markets - a 'new market mechanism' (NMM), a 'framework for various approaches' (FVA), and 'non-market approaches' (NMA). These negotiations should end in Warsaw with a moratorium on markets.

### The FVA - a trojan horse for a global carbon market

The FVA was supposed to help governments increase their mitigation ambition via both market and non-market based mechanisms. However, some countries and regions like Japan and the EU, are instead pushing for the FVA to become a framework to govern carbon markets established outside the Convention, bringing them under the UN and ***paving the way for a global carbon market.***

This would be a dangerous distraction. Experience of carbon markets to date shows that rather than providing real emissions reductions they actually increase emissions, shift the burden on to developing countries, lock-in dirty technologies and are in no way cost-effective (see box), not to mention their high susceptibility to fraud.

Other risks of the FVA accounting for trading of non-Convention units include:

- ***Creating a false equivalence (fungibility)*** between credits generated in different sectors and from different sources, despite the fact they have a huge variability in technical reliability and permanence (e.g. considering emission reductions from forests as the same as reductions from industrial sources).
- Establishing a system that ***encourages the bilateral negotiation of terms and conditions relating to carbon markets***, which, like Free Trade Agreements and Bilateral Investment Treaties, will reflect the interests of the more powerful actors and their corporate sector: even weaker environmental integrity, less respect for human rights or community consultations, and increased powers for corporations to rip up domestic regulations.

In Warsaw, Governments must not allow the FVA to become a defacto global carbon market by accounting for, or registering internationally traded carbon units, which would permanently undermine international climate action.

### A "New Market Mechanism" (NMM)

Since detailed negotiations on the New Market Mechanism were launched in 2011 in Durban, the two largest 'carbon markets', the EU-ETS and the CDM, have suffered drastic price collapses and ongoing problems with environmental and financial integrity. Equally, projects are failing to respect human rights and deliver minimal 'sustainable development' benefits.

The raised ambition that is used to justify markets has not materialised. This is demonstrated by the fact that developed country reduction targets remain static or look to be weakened by countries such as Japan and Canada. Ambition comes from increased political will, not increased flexibility.

Therefore, ***the UNFCCC in Warsaw should adopt a moratorium on all new market mechanisms and initiate a review to assess their appropriateness as a tool for ambitious and equitable mitigation.***

### Non-Market Approaches (NMAs)

The UNFCCC needs to ***focus on NMAs that lead to real emissions reductions and contribute to sustainable development.*** Many developing countries have proposed non-carbon trading based mechanisms such as Bolivia's "Joint Mitigation and Adaptation Mechanism" and supported approaches such as feed-in-tariffs and Brazil's Amazon Fund. The UNFCCC should focus on scaling up these approaches in Warsaw.

### Problems with carbon-trading

- **No emissions reductions**, as offsets move reductions from one place to another, and have not seen emission targets increased.
- **Emissions actually increase**: the WWF estimates that by 2020 the Clean Development Mechanism (CDM) will have produced 3.6 Gigatonnes of $CO_2$ of credits that are not truly 'additional', therefore leading to an increase in overall emissions.
- **Shifting the burden:** a sector based mechanism (like some propose for the NMM) would create defacto targets for developing countries, augmented by 'conservative baselines' that would push the costs of meeting these targets onto developing countries. Developing countries would then suffer if they failed to meet their target (as finance would not be provided) making obligations on developing countries stricter than on developed.
- **Not cost-effective**: analysis by UBS suggests that by 2020 the EUETS would have cost 240 billion euros to the taxpayer, without reducing emissions.
- **Lock-in of polluting technologies** by shifting reductions overseas, carbon trading allows industrialised countries to continue to lock-in polluting infrastructure.
- **Not a long-term solution** as the limited space in the global emissions budget means we cannot continue using offsets. The 2007 Stern Review said if we are still using offsets in 2020 we will have failed to avert dangerous climate change.

***Carbon trading is a failed experiment.*** *It is time now for decisive action to reduce emissions from fossil fuels at source and for phasing out carbon markets; not for doubling down on this false solution.*

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