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Forum for 21st century **on Global Emission Trading**

Preface

Forum for XXI. *Century* has, at the annual opening convention in October 2012, resorted to summoning its negotiation boards (referred to as 'Sections') to address the latest international matters of security, economy, politics and environment. Bearing the vision of international cooperation and development, the Sections have been entrusted with a body of conjoint questions crucial in providing long-term stability and progress to all countries and regions of the world and protecting the universal right to development. The Economic Section has been mandated with the economy of climate change mitigation and adaptation (ECC) with international trade- and commerce-related aspects, regulatory regimes and the involvement of facilities and institutions pursuant to the United Nations Framework Convention on Climate Change (UNFCCC).

The committed parties – namely the ASEAN community, the European Union and the United States of America (together referred to as 'members') – along with all stake-holding partners have assembled their delegations successfully joining negotiations in respective Sections. Thanks to each member's best efforts in shared consensus-yielding actions, cooperation is advancing toward an international accord on ECC. The *Forum* thanks for and commends all delivered propositions and encourages all parties to continuously review and refine current drafted provisions.

Notes

The international community represented by the *United Nations* has reached an unprecedented evolutionary stage of global awareness, responsibility and cooperation in the past decades. Consequences of various human actions have been investigated and understood; threatening challenges have been resolved in advance and wisdom; and valuable rights and liberties have been conferred to all human beings, nations and environments in a way that seeks promoting peace, prosperity, sustainable development and respect for diversity.

This transition has been exceptionally difficult and intricate for the domain of environmental preservation and climate change management. It took these many decades to develop a consensual scientific understanding of the current situation, underlying processes and our possibilities for effective attendance.

The multilateral fore on this matter has been successfully opened at the historically forward-going “*Earth summit*” of the *United Nations Conference on Environment and Development* in Rio de Janeiro, 1992. By signing and acceding to the UNFCCC treaty, 195 states have committed themselves to stabilizing the global climate by global cooperation on environmental matters.



The UNFCCC treaty has been followed up on by a series of environmental conferences that have set the fundamental principles, mechanisms and institutions for the global management of climate change. A special expert panel (International Panel on Climate Change – IPCC) has been established to provide scientifically viable knowledge of climate change in terms of its progression and impact, underlying mechanisms and outlooks for mitigation and/or adaptation.

Climate change is being considered environmentally inherent and inevitable, with a varying degree of impact on different world regions, population groups and economic interests. Anthropogenic activity of economic significance, such as manufacturing industry, agriculture, urbanization and transportation has been proven to interfere with the climate system, mainly through emissions of greenhouse gasses (GHG) promoting certain harmful climate change processes (possibly including global temperature rise, alterations in atmospheric and oceanic streams, glacial melting, unexpected weather patterns and accelerated breakdown of ecosystems and resources among others).

The IPCC has repeatedly reported the climate change to be progressing at beyond-controllable rates (not limited to human-associated centennial global temperature rise at 210% of the desired estimate), leaving affected countries prevailing in the developing world vulnerable to economic and humanitarian casualties.

In order to stabilize the climate and prevent further environmental deterioration, annual GHG emissions are required to stabilize and iterate toward a carbon-neutral balance. This can and should be achieved by a combination of processes:

- ✗ natural degradation of low-mass GHGs over time
- ✗ assisted natural degradation – by introduction and/or protection of GHG-reducing organisms (reforestation and green krill cultivation for instance)
- ✗ deliberate reduction of annual GHG emission achieved through technological advancement in industrial and manufacturing processes, renewable energy collection, household efficiency etc.
- ✗ sequestration – selective industrial depositing and/or removal of GHGs from the atmosphere
- ✗ geoengineering (such as solar radiation management, geothermal management and multiple innovative procedures in the stages of research)
- ✗ deprecation of high-mass long-lived non-biodegradable GHGs

A functional approach to climate change management requires a consolidated effort over all vectors available now and in the future. A consequent economic burden of such effort has played an important role in the UNFCCC negotiations and, to an extent, jeopardized the full capabilities of the international community to proceed against the human-assisted environmental decline.

It has to be stressed clearly that given enough time, this environmental decline is indiscriminately harmful and invariably fatal for the entire planetary ecosystem, and it is therefore the every individual of the every nation whose rights and liberties are being put into danger. All Members of the *Forum* have expressed their most sincere sentiment of taking a global responsible and equitable approach for climate change management. The concordance in this necessity allows us to focus on next stage of ECC development.

All members are aware of the present UNFCCC legacy embodying the Protocol of Kyōto (1997) and the latest accords of Copenhagen, Cancun and Durban with corresponding achievements and drawbacks. They



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proceed with the intention to build upon the past efforts and draw the lessons learned as the current obligation period is nearing its close. It is now necessary to update the international legal regulation and provide economic incentives for the global climate change management.

The system of international GHG emission restriction by means of binding restriction quotas and their subsequent market distribution (alias CAT – cap and trade allocation), accompanied by supportive measures and enforcement mechanics meets with the full support of the Members. However, Implementation of the same – in the wake of different political, economic and environmental situation of regions and social groups – requires a delicate attention and proper execution of the designed measures.

Propositions

Upon designing a functioning CAT framework for the period 2013 onwards, following elements have been recognized principal, conclusively researched and addressed in the proposed enactment:

- I. Annually updated GHG emission caps expressed in carbon equivalent metric tons (cet) per country per source sector, to which all States would cooperatively commit themselves under valid UNFCCC enactments; with a pre-approved deflection corridor for certain legitimate cases (such as natural disasters, national emergency and others) incorporated into each commitment.
- II. Persistent, depoliticized and fair distribution of the GHG cap burden throughout the entire international community with respect to each State's past, current and future GHG footprint.
- III. Effective and liquid international market for capitalization of Carbon offsets and specialized GHG allowances, renewable energy credits (REC), asset-backed or ring-fenced climate bonds with proper certification, related securities and hedges empowered by transparent and undistorted competition.
- IV. Corrective and disciplinary financial measures for inhibiting certain types of CAT commerce exploits and liability evasion; and for motivating true adherence to national commitments.
- V. Initiation and global deployment of the Durban platform goals so that current differences between developed and developing economies will be respected, yet indiscriminate and fully equitable sharing of climate management responsibilities will be achieved without unnecessary delay.
- VI. Institutions and facilities at the global level, that would provide continuous monitoring and evaluation of ECC (in terms of national fulfilment, actual effect on climate stability, supervision of markets, project accreditation and settlement of disputes). Dedicated facilities at UN development and environmental agencies, the World Bank group and the emerging institutions such as Green climate fund (GCF) should be developed with coordination and administrative efficiency in mind.

The Economic section is drafting a design of the international CAT commercial framework methodically ascertaining real emission reductions with respect to national commitments as well as truly equitable for every participating subject, public or private. Please note that such framework will only be utilized after binding treaty on GHG caps between all UNFCCC parties comes to force.



In compliance with UNFCCC outcomes, Members of the *Forum*, with full respect to international law and in the good faith, propose the following enactment to be passed and ratified under UNFCCC.



UNFCCC Bratislava accord on trade- and commerce- related aspects of climate change management

The Heads of State, the Heads of Government, the Heads of Missions and other delegations; committed to fair and sustainable solution to accelerating anthropogenic climate change, pursuant to the United Nations Framework Convention on Climate Change and honouring every nation's unique environmental disposition and action-readiness; have agreed on this Bratislava Accord.

[1] We acknowledge our adherence to established treaties and enactments under the Convention, both which we have endorsed in the past and which we will endorse in the future. We confirm our commitments under Copenhagen Accord and future endorsed protocols of the Convention. We do this in a joint effort to preserve worldwide climate by means of climate change management.

[2] We understand that planet-wide reduction of greenhouse gas (GHG) emissions requires us to temporarily forgo certain economic liberties directly associated with unrestricted environmental pollution, in a necessary process of averting irreversible degradation of world climate. We seek to minimize this economic burden on every nation in a way that preserves the ability to fully exercise human rights and the potency to efficiently mitigate harmful climate change at the same time.

[3] ISCCER mechanism and core principles

We proceed to introduce and safeguard the International Scheme for Cap-and-Trade-based Carbon Emission Reduction (ISCCER) as a novel succession to the Flexible mechanisms of Kyōto. The Scheme has been designed on the following core principles.

[3][a] Fidelity

Only as a whole international community we stand a reasonable chance at restoring carbon-neutral balance to the environment. We will respect every nation's right to growth and development, yet we will not fail to deliver committed mitigation actions at other nations' cost unless implied in article [10].

[3][b] Subsidiarity

Effective market allocation of GHG emission limitations (Offsets) through voluntary market forces as well as national and individual choices of fulfilment strategies are highly regarded and encouraged.

[3][c] Additionality

Any marketable Offset credit must represent an additional decrease in the ordinary carbon footprint. A thorough analysis of GHG footprints of States and companies will be conducted biannually by IPCC to safeguard that additionality is achieved.

[3][d] Directness

The commercial routine of Offset trading must be relieved from intermediaries counterproductive to the actual goal of equitable climate change mitigation to minimize setbacks of market imperfections.

[4] Every Party to the Accord will take up transparent emission caps under operational UNFCCC legislature on annual basis, and convert these into ISCCER-tradable Offsets.

[5] ISCCER Offsets will be publicly offered at free market prices to any party directly involved in production and/or prevention of GHG emissions and to eligible intermediaries under special provisions of article [8] of the Accord. Trade of these Offsets will be freed of any national fiscal taxation.

[6] National Treatment on internal regulation of ISCCER Offsets.

The contracting parties recognize that internal legal regulations, charges and requirements affecting the internal sale, offering for sale, purchase and applicability of Offsets should not be applied so as to create competitive advantage for domestic participants.

[7] Antitrust practice

All Parties to the Accord will have adopted and proceeded to enforce adequate national competition legislation on Offset trade by the date Accord enters into force; compliant to the following directions.

[7][a] Every eligible non-intermediary participant is permitted to hold no more than 150% of their Carbon footprint in ISCCER Offsets in their possession at any given time, excluding additional approved capacity under article [8] of this Accord, unless general exceptions of article [10] apply.

[7][b] Every eligible intermediary is permitted to hold no more than 125% of Global mean industrial footprint index in ISCCER Offsets in their possession at any given time. Index value will be published annually by International Panel on Climate Change as a global harmonized industrial subjects' average GHG footprint.

[7][c] Any form of speculative concentration of participants by means of public or clandestine agreement that would enable circumvention of provisions in articles [7][a], [7][b] and [8] is impermissible. Upon judicial conviction, such concentration has to be countermanded immediately and may result in a loss of intermediary license granted under article [8] of this Accord.

[7][d] Any form of coercive tying of ISCCER Offset trade to other commercial claims, obligations, payments and derivatives, asset transfers or any unrelated burden is impermissible. Discriminative refusal to deal with legitimate ISCCER participants for whatever reason is impermissible.

[8] Eligibility of intermediaries

Any economic subject established in any State which is Party to UNFCCC Bratislava Accord is eligible to apply for ISCCER Intermediary License at their State competent authority. Every State will entrust such authority to a governmental body under domestic law pursuant to article [7] of the accord.

[8][a] License is granted automatically unless there are pending charges of anti-competitive practice against the applicant. The competent authority may additionally require the applicant to prove their compliance with competition legislation pursuant to article [7] in a way reconcilable with article [6] of the Accord.

[8][b] The subject's compliance with the same legislation may be challenged in the competent court by any other subject. If compliance is deficient, the local authority will request the subject to reconcile with the governing law. Failure to comply with such request will result in suspension of subject's license for 12 months. Repeated proven violation of applicable competition law will result in permanent termination of subject's license.

[9] ISCCER-tradable Offset substitutes

We encourage any subjects capable of additional GHG reductions through innovative endeavours that meet international quality and sustainability standards to be capitalized via ISCCER as full Offset equivalents. Offset substitutes require a careful treatment and a long-term inclusion plan in order to maximize their benefit and credibility while reducing the associated risk of abuse.

[9][a] Renewable energy and household efficiency projects

In order to capitalize climate-associated credits and bonds through ISCCER commercial framework, we have agreed to develop a system of rules, certifications and supervising authorities that would warrant such



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endeavour's legitimacy, transparency and additionality. Such concept will assure compliance with general goals as well as international accountability of certified projects.

[9][b] Pro-environmental technologies

We acknowledge the importance of commencing real GHG reductions via introduction of effective applied research creatively designing sustainable and environmentally friendly manufacturing processes alongside the ordinary restriction of GHG emissions, as the former provides the substance of actual long-term solution to the high industrial footprints. We commit ourselves to investigating and exploiting possibilities of crediting successful researchers through ISCCER commercial framework.

[9][c] In order to provide a transparent implementation of flexible mechanisms favouring acceptable forms of green energy projects, climate-friendly geoengineering and research, we will adopt an Execution Protocol that will be annexed to the UNFCCC Bratislava Accord.

[10] General exceptions, implementation of emergency deflection corridors

In cases of severe economic and/or social emergency at a national level, Parties are permitted to take advantage of approved maximum deflection corridors under two possible regimes:

a) sudden cases of unforeseeable emergency (such as economic, environmental or humanitarian catastrophes with rapid and uncontrollable onset) requiring permission of additional GHG emissions up to 30% of deflection quotas in period of less than 6 months – these will be approved unless more than 20% of Parties raise objections within 60 days;

b) other cases will be approved by a majority of 90% votes of Parties on a quarterly basis.

If direct allocation of such temporary Offsets, that would otherwise violate article [7][a], is necessary to restore economic and/or social order, an explicit overriding mandate may be provided by the approval commission. The approval process will be incorporated into permanent execution boards of the Green Climate Fund after its closest successful launch.

[11] Corrective and disciplinary measures

With respect to the shared goal of sustainable growth and climate change mitigation, national implementation strategies of Parties and the principle of subsidiarity, we express our full trust to every Party's own capabilities of enforcing national commitments.

[11][a] Possible disruptions in proper implementation of ISCCER will be addressed at international level by means of multilateral negotiations. Insufficient reconciliation efforts over a period of 6 months will result in United Nations ad-hoc arbitration.

[11][b] Persistent violation of articles [5], [6], [7] and [8] of the Accord resulting in unfair competitive advantage of resident subjects in international trade will be jointly considered a violation of applicable international covenants. Parties will utilize a 6 month period for consultations with the trespassing Party. Failure to achieve correction will result in imposition of temporary countervailing custom duties on commodity in question as mandated by article [20][g] GATT and applicable case law.

[12] Initiation schedule and final provisions

✕ This Accord will be operational after 60% of UNFCCC Parties representing 85% of their total Gross Domestic Product in Rate of Exchange Parity (2010 International Dollars) have signed and ratified all its provisions.



- ✕ If the requirement of gaining 60% of UNFCCC Parties representing 85% of their total GDP in Rate of Exchange Parity is not accomplished within 12 months after the last day of the Conference, the Parties are obliged to summon a new conference
- ✕ In order to provide a legitimate adaptation period for all States to introduce anticipated environmental regulations into domestic law, Parties may opt out of the Execution Protocol I under article [9] with adequate reasoning for a maximum of five years. Termless exceptions from Execution Protocol I can be requested whilst assuring non-violability of ground principles and goals, especially non-discrimination, environmental protection, sustainability and progress.
- ✕ Articles [7] and [11] will come into force after 24 months of Accord's operationality. Developing countries facing relevant difficulties of transforming legal systems can delay their commitments under article [7] of this accord for up to further 24 months; in such case, however, they are obliged to prevent anti-competitive domestic behaviour by temporary domestic measures of equivalent effect, failure of which will be equally treated under article [11] of this accord.
- ✕ The Accord will remain operational indefinitely unless a new UNFCCC agreement will constitute its demise.