



**BASIC WORKSHOP  
FUTURE INTERNATIONAL CLIMATE POLICY  
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**THE SAO PAULO PROPOSAL FOR AN  
AGREEMENT ON FUTURE INTERNATIONAL  
CLIMATE POLICY**

***EXECUTIVE SUMMARY***



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# THE SAO PAULO PROPOSAL FOR AN AGREEMENT ON FUTURE INTERNATIONAL CLIMATE POLICY

The São Paulo meeting of the BASIC Project in August 2006 discussed the merits of the proposal set out here as the basis of an agreement on future international climate policy. Participants in the BASIC network include over 40 individuals from twenty five research and policy institutions, mostly from Brazil, China, India and South Africa and other experts from developed and developing countries. Participants, in their personal capacity, welcomed the timely opportunity provided by the BASIC Project to share their initial views about the São Paulo proposal. This takes the form of a comprehensive package that could appeal to all Parties, including non-Parties to the Kyoto Protocol, and enter into force on 1 January 2013. Participants agreed that the São Paulo proposal offers a good basis to consider key issues relevant to the design of a long term, universal regime that is fair, effective and practical for all countries. They agreed further analytical work was needed to develop elements of the proposal into a package that could contribute to the progressive evolution of the climate regime.

## ***Executive Summary***

The São Paulo proposal reflects the principles of equity and common but differentiated responsibilities and respective capabilities. Climate change is framed in the context of sustainable development. The proposal deals with targets and mechanisms to reduce the level of GHG emissions seen by the atmosphere. Processes and actions to measure progress against the long term climate goal of avoiding dangerous climate change are also set out. The proposal establishes a stable regime to encourage the required long-term structural shifts while retaining flexibility to accommodate changing circumstances. Elements relating to *adaptation, technology development and transfer* and *sustainable development* are included because a broader package allows more trade-offs, which can generate support among more countries. Procedurally, the new elements could be implemented through a combination of actions under the UNFCCC and revisions to the Kyoto Protocol. Alternatively, they could also take the form of a new protocol to the UNFCCC or amendments to Kyoto.

## ***Article 2 Medium and Long Term Goals***

To generate further agreement on the ultimate objective of avoiding dangerous climate change (Article 2 UNFCCC), Parties agree that the COP/MOP will adopt a decision defining medium term and long terms goals against which overall progress towards the ultimate objective can be assessed.

### ***Quantified Targets for all Annex I/Annex B Parties***

Annex I/Annex B Party leadership is expected to continue with such Parties reducing their emissions. Targets set under the Kyoto Protocol remain in place for the first commitment period (2008-2012). Amendments to the Protocol incorporate the following elements. Each Annex I/B Party adopts annual commitments for 2013 - 2018 that are a combination of (a) an absolute emissions limit (tCO<sub>2</sub>e/year); (b) emissions intensity limit (tCO<sub>2</sub>e/unit GDP); and (c) new and additional funding (USD per year) that goes towards technological innovation and adaptation.

The revised Kyoto Protocol put forward by the Sao Paulo proposals mandates that the commitments of Annex I/B Parties for the period beyond 2018 be examined annually by the COP/MOP. A decision to extend them or make them more stringent is made for the next year not already agreed (e.g., commitments for 2019 are agreed in 2013, and 2020 commitments are agreed in 2014)). If compliance during the previous year (e.g., 2012) has not been difficult, the commitments for the future are made a little (about 1%) more stringent otherwise the commitments for the next year remain unchanged. Adjustments to the commitments of Annex I/B Parties that are not net buyers of compliance units are a larger.

Although the commitments by Annex I/B Parties are set on a rolling, annual basis and apply to specified calendar years, the assessment of compliance is only determined at five year intervals. An Annex I/B Party whose real GDP has declined by more than 1% during a calendar year may request a compliance exemption for that year.

### ***Sustainable Development Commitments for Developing Countries***

Under the São Paulo proposals, a Party not included in Annex I may commit to quantify and report the emission reductions achieved by its sustainable development policies, including policies to reduce deforestation. These reductions can not earn tradable credits, but the Parties benefit through easier access to funds and deferral of the date at which it reaches limit on transfers of compliance units.

A limit on cumulative transfers of compliance units (such as CERs generated by the CDM) since 1 January 2005 is set for each non-Annex I Party. The limit increases with population and decreases with per capita emissions and per capita GDP. Limits are revised periodically to reflect changes in population, per capita emissions and per capita GDP. Once a non-Annex I Party reaches its limit, it is expected to become an Annex I/B Party and take on commitments. If it does not, it is deemed to withdraw from the Protocol.

These limits ensure that Annex I/B Parties undertake significant commitments before non-Annex I Parties are expected to adopt commitments. They also create an incentive for non-Annex I Parties to pursue a less GHG-intensive development path. Finally, they ensure an equitable distribution of the benefits of participating in the revised Protocol in the long run.

### ***Carbon Markets***

Kyoto's flexibility mechanisms, the Clean Development Mechanism, Joint Implementation and Emissions Trading, continue. 2% of the AAUs, RMUs and ERUs transferred internationally under JI and ET will be collected to assist non-Annex I Parties with technology development, diffusion and deployment. The 2% share of proceeds on CDM remains in effect for adaptation assistance.

### ***Adaptation***

A five year pilot phase of "Adaptation Activities Implemented Cooperatively" is launched by the COP/MOP upon adoption of the revised Protocol through "prompt start" provisions. The objective of the pilot phase is to catalyze rapid learning about adaptation "good practices" through demonstration projects, programs and policies, especially in countries and communities impacted adversely by climate variability and change.

Beginning in this pilot phase, all Parties agree to review and revise design parameters for all programs, policies especially that related to infrastructure and other investment, to incorporate the projected impacts of climate change and the adaptation response needed. Non-Annex I Parties may request funding for this and other adaptation related purposes from the Adaptation Fund.

Parties agree to assess insurance and other risk management mechanisms and elaborate a mechanism to address the impacts of extreme weather events shocks and adopt an appropriate legal instrument to give effect to the mechanism(s) by not later than the end of 2010.

### ***Technology***

To promote transfer of proprietary technologies, a new Technology Fund is established under the revised Protocol with funding from the share of proceeds on the Kyoto flexibility mechanisms and monies generated from Annex I/Annex B target commitments.

The Fund will work with qualified public and private institutions to establish a system to provide information on available technologies that reduce emissions of greenhouse gases or facilitate adaptation to climate change. Any Party that believes another Party is restricting the transfer of a technology may present its case to the Facilitative Branch of the Compliance Committee.

Non-Annex I Parties may request funds from the Technology Fund to enable them to participate in international efforts to develop climate change mitigation or adaptation technologies and to enhance diffusion through buying down the cost of relevant technologies. The Technology Fund may also participate in international technology research and development efforts directly. The Technology Fund will seek opportunities to make relevant technologies available at reduced cost within a limited public domain or geographic region.

### ***Universality***

To extend coverage and to ensure universality, a memorandum of understanding may be agreed by Protocol Parties with:

- (a) the government of a country that is not a Party to the revised Protocol
- (b) an entity with legal authority to limit emissions outside the boundaries of Parties (such as international aviation and marine emissions)
- (c) an entity with legal authority to limit the emissions of specified sources located in more than one Party (such as global emissions of a specific industry).

Parties may approve trade restrictions to be applied against countries that are not a Party to the Protocol and that do not have an approved memorandum of understanding (MOU) by 31 December 2012. Thus if the country chooses to not be a Party to the revised Protocol and to not enter into an MOU, Parties to the Protocol may approve trade restrictions.

The revised Protocol will be reviewed every five years starting in 2017. A review could result, with the agreement of Parties, in tightening commitments beyond the incremental approach specified in the Protocol.

