



## NEW ZEALAND

### Submission to the Subsidiary Body for Scientific and Technical Advice

#### *New market-based mechanism*

September 2013

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1. Paragraph 6 of decision FCCC/SBSTA/2013/L.8 invites Parties to submit to the Secretariat views on questions concerning the role and technical design of the new market-based mechanism referred to in paragraphs 4 and 5 of decision FCCC/SBSTA/2013/L.8.

2. This submission responds to this invitation. It should be read in conjunction with previous New Zealand submissions on the NMM dated May 2013, and the Framework for Various Approaches (FVA) dated September 2013, May 2013, July 2012 and March 2012.

#### **Context**

3. New Zealand welcomes the decisions made at COP 18 in Doha on market mechanisms. We view market mechanisms as an important tool to mitigate emissions and as a means of implementation to assist countries to take action to address climate change.

#### **Role of the NMM**

4. New Zealand sees the role of the New Market-based Mechanism(s) (NMM), as generating internationally tradable emission reduction or avoidance units that Parties are able to use to meet their international commitments. The NMM should therefore sit within the FVA.

5. New Zealand views the FVA as providing a management tool to facilitate the international trade of units generated by various mechanisms, such as those developed under the UNFCCC, including the NMM, and those developed by Parties including regional, bilateral, national, and sub-national market-based mechanisms. Units generated under the FVA must have the environmental integrity to be able to be used by Parties to meet their international commitments.

6. New Zealand believes that to maximise the efficiency and effectiveness of the NMM, and to ensure its design is fit for purpose, the objectives, goals, role and scope need to be established before the majority of work on the technical design can be undertaken.

7. In particular, Parties have yet to determine aspects of the objectives, goals, role and scope of the NMM that need to be addressed, including:

- Whether project-based, sector-based, both, or other activities will be covered by the NMM
- The relationship and difference between the NMM and existing UNFCCC mechanisms such as the Clean Development Mechanism (CDM) and Joint Implementation (JI)

- The relationship and difference between the NMM and regional, bilateral, national and sub-national mechanisms
- Whether the NMM will supplement, or replace current Kyoto Protocol mechanisms
- Whether access to the NMM will be available to some or all Parties.

## **Design of the NMM**

8. Given the relationship between the FVA and the NMM, New Zealand believes it is important that the work programmes on the FVA and on the design of the NMM are progressed at a similar time to ensure compatibility and consistency, and avoid duplication. However, Parties need to be cognisant of the difference between the role of the FVA as a management tool to facilitate the international trade of units, and the design of mechanisms generating units within the FVA.

9. As with other market mechanisms, there are a number of core elements which are fundamental to ensuring activities within the NMM deliver real, permanent, additional and verified mitigation outcomes and achieve a net decrease and/or avoidance of emissions. These include: baselines; additionality; permanence; measuring; reporting; verification; compliance and enforcement; avoiding double counting; and addressing carbon leakage.

10. Also key to ensuring the environmental integrity of units generated under the NMM is the prevention of double counting. Activities to reduce or avoid emissions credited under the NMM should not also be credited within existing UNFCCC governed market mechanisms, or other market mechanisms operating at regional, bilateral, national, and sub-national levels. It is also important that activities to reduce or avoid emissions undertaken under the NMM are not claimed by more than one Party when meeting their international commitments.

11. To maximise the mitigation potential of the NMM, it is essential that the technical design can assure the environmental integrity of activities to reduce or avoid emissions and the units subsequently generated, whilst also providing sufficient but bounded flexibility to take into account varying national circumstances between countries. It is also important to ensure there is minimal overlap between the NMM and existing market mechanisms developed by the UNFCCC, or those developed regionally, bilaterally, nationally and sub-nationally.

12. Existing market mechanisms have been designed with the aim of giving their emission units environmental integrity but do so in various ways. This illustrates that there is no single way to determine the robustness of emission removals, reductions and/or avoidances. The principles and guidelines developed under the umbrella of the FVA will ensure the environmental integrity of units. As the NMM will sit under the FVA, its development will be informed by these principles and guidelines.

13. To maximise the efficiency and effectiveness of the NMM, New Zealand believes the technical design should take account of the lessons and experiences gained with the design, establishment and operation of existing market mechanisms. This should include Parties who have developed, or are implementing, a domestic mechanism, and Parties, users and investors engaged with the CDM and JI, and the CDM Executive Board and Joint Implementation Supervisory Committee.

## **Work programme**

14. As an initial step, New Zealand proposes that work is undertaken to gather lessons, insights, and experiences from those developing, operating or utilising existing market mechanisms. This information will assist in learning from past experiences and developing the NMM that is effective, efficient, fit for purpose, and delivers real, permanent, additional and verified net decrease and/or avoidance of emissions. In New Zealand's view, a decision to start this work should be taken at Warsaw.

15. This exercise could run in parallel with the work New Zealand has proposed under the FVA for the collection of information on key design and operational elements from Parties with existing or emerging carbon markets.

16. Once information from relevant stakeholders is gathered and assessed, work to develop the core elements of the NMM, such as baselines; additionality; permanence; measuring; reporting; verification; compliance and enforcement; avoiding double counting; and addressing carbon leakage, can begin in a manner that avoids duplication and helps ensure the NMM is fit for purpose.

## **Conclusion**

17. New Zealand looks forward to engaging on these issues and to further discussions of the NMM with other Parties.