

I. INTRODUCTION

Tunisia welcomes the decision taken at COP18 to conduct a work programme in order to elaborate modalities and procedures for a new market-based mechanism (NMM). Tunisia sees the NMM as a way to engage in larger scale mitigation actions as a contribution to global efforts to limit global warming below 2°C. In order to ensure the proper functioning of the NMM, it is crucial that developed countries create a higher demand for carbon credits by raising the ambition of their mitigation commitments.

Tunisia has been active in the global carbon market via its six registered CDM projects and programmes and is currently developing NAMAs in the energy, agriculture and waste sectors. Furthermore, multi-stakeholder dialogues as well as an in-depth preparatory study have been launched to prepare a pilot NMM activity in the Tunisian cement sector.

Tunisia looks forward to constructive discussions under the SBSTA, with a view to adopt a decision at COP 19 in order to make the NMM operational as soon as possible. The decision should comprise the following elements: 1) guidelines on governance and institutional arrangements, 2) technical guidelines regarding baselines, crediting/trading thresholds, periods and targets and 3) identification of financing instruments for capacity building in order to launch early pilot NMMs.

II. GOVERNANCE AND INSTITUTIONAL ARRANGEMENTS

- The participation in the NMM shall be voluntary.
- It is crucial to elaborate a common, core set of MRV and accounting rules, in order to ensure the environmental integrity and avoid double counting of emission reductions achieved under the NMM, the Kyoto mechanisms, and the *Framework for Various Approaches*.
- An international body, under the authority and guidance of the COP, should be established with the role to register NMM activities and issue carbon credits.
- At the national level, a *Designated National Authority* (DNA) should be established with the task
 - a) to confirm whether the NMM activities assist the host country in achieving sustainable development, and
 - b) to approve NMM activities vis-à-vis the international body.

The experience with the CDM should be capitalised in this context.

- It is a prerogative of the host country to define sustainable development criteria. The host country can benefit from the work of the Rio+20 process, which might provide sustainable development indicators that can be adapted to national circumstances.

III. DEFINITION OF SECTORS, BASELINES, CREDITING/TRADING THRESHOLDS, PERIODS AND TARGETS

- The definition of the “broad segment of economy” is at the discretion of the host country; existing internationally agreed definitions such as the IPCC inventory

guidelines may be applied. Common MRV and accounting rules will permit to avoid double counting.

- Common criteria should be elaborated regarding the development of baselines, the crediting/trading thresholds, periods and targets, which give sufficient flexibility to the host country in order to respond to national needs, taking into account domestic circumstances, while at the same time safeguarding the environmental integrity of the NMM.
- It is at the discretion of the host country to establish baselines and targets based on either absolute greenhouse gas emissions, emissions per unit of GDP or per metric ton of product output. Baselines have to be subject to regular review and they shall include all relevant sources of greenhouse gas emissions.

In order to reduce transaction costs, standardized baselines – partly already developed under the CDM – should be allowed if these have proven applicable and technically sound. CDM project activities should be considered in the baseline scenario in order to avoid double counting.

IV. NECESSITY OF FINANCIAL SUPPORT FOR THE EARLY START OF THE NMM

- Bilateral and multilateral support should be provided in order to meet capacity building needs of the host country, for example in order to establish appropriate MRV systems and the DNA. The NMM work programme should identify sources for capacity building support.
- Before the NMM becomes operational, early pilot activities should be encouraged. Developed countries should be allowed to purchase carbon credits from pilot activities. These can be used to meet developed countries' financial commitments under the Convention; not, however, to fulfil own emission reduction commitments. During the pilot phase, the price of the credits could be based on the effective cost of the respective abatement activities.
- International financial support for capacity building as well as for the purchase of credits from pilot activities can be counted towards developed countries' financial commitments under the Convention. By contrast, the purchase of carbon credits used to meet developed countries' mitigation commitments, after the NMM has become operational, cannot be counted as financial support.

V. SYNERGIES WITH NAMAS

- The complementary relationship between supported NAMAs and NMMs should be clarified during the work programme. For example, it should be discussed whether a supported NAMA could cover the upfront costs of developing an NMM activity, and whether it could cover parts of the investment costs to achieve the net emissions reduction of an NMM activity. Furthermore, possibilities to create synergies between the MRV systems of NAMAs and the NMM should be explored.