

## Submission by the Institute for Global Environmental Strategies (IGES)<sup>1</sup>

Views on framework for various approaches, referred to in paragraphs 44–46 of document FCCC/CP/2012/L.14/Rev.1, including information, experience and good practice relevant to the design and operation of various approaches.

25 March 2013

### Introduction

The IGES welcomes the opportunity to submit its views on matters related to the framework for various approaches (FVA), as invited in the paragraph 48 of FCCC/CP/2012/L.14/Rev.1. The IGES has been conducting a range of policy research and capacity building activities on market mechanisms in ten countries in the Asia-Pacific. Our views are based the lessons and experiences from these activities.

### General views

- The IGES believes in the important role of market-based mechanisms as efficient and effective policy instruments to address climate change mitigation, although various approaches may include non-market mechanisms.
- In the past few years, the IGES has witnessed, and assisted, a rapid emergence of carbon markets in the Asia-Pacific. These carbon markets are designed with a prospect of linking with other markets. The FVA can serve as a basis for the common framework to accelerate the integration of carbon markets.
- Given that these markets are managed by different countries and institutions, FVA should have bottom-up, not top-down, nature.
- Approaches in the scope of the FVA should be considered for recognition under the UNFCCC.

### Views on specific elements

*(a) The purposes of the framework;*

The purposes of the FVA should be:

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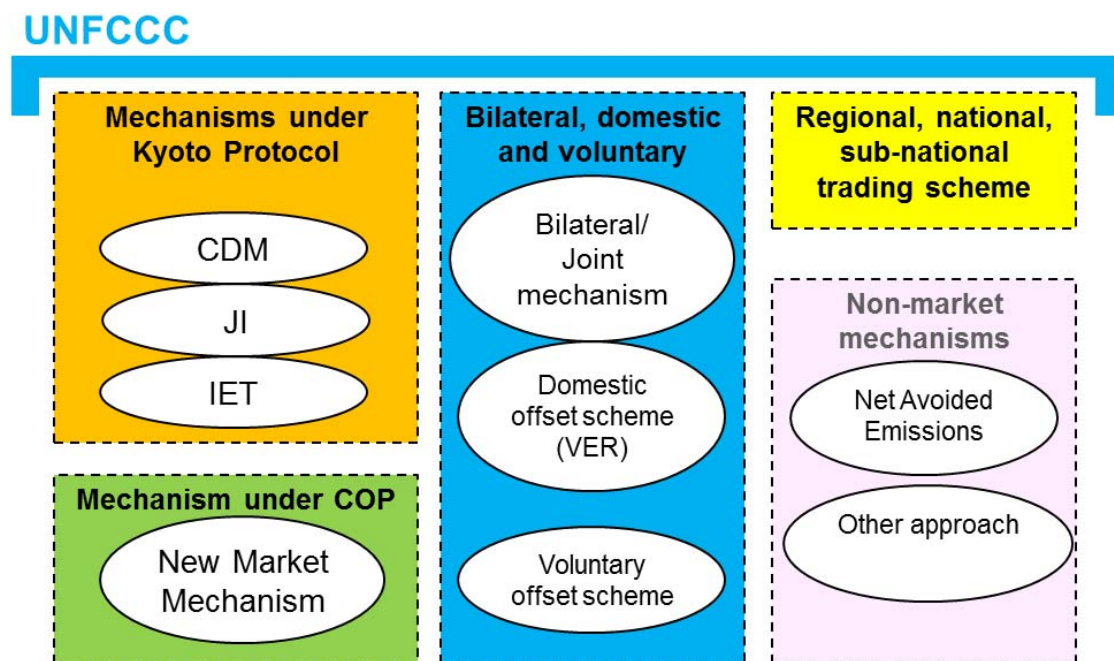
<sup>1</sup> Views expressed in this submission are those held by the Market Mechanism Group of IGES. IGES maintains a position of neutrality at all times on issues concerning public policy.

- to coordinate different market mechanisms developed and implemented jointly and/or individually.
- to facilitate reviewing process of proposed market mechanisms, which will be submitted by Parties for recognition under the UNFCCC and counting towards meeting mitigation commitments.
- to ensure credibility and compatibility of various market mechanisms.

(b) *The scope of approaches to be included under the framework;*

The FVA should be capable of covering the new market mechanism, Kyoto mechanisms, bilateral, domestic and voluntary mechanisms, as well as non-market mechanisms (See Figure 1).

Figure 1: An illustrative figure of FVA under the UNFCCC



Source: IGES

(c) *A set of criteria and procedures to ensure the environmental integrity of approaches in accordance with decision 2/CP.17, paragraph 79;*

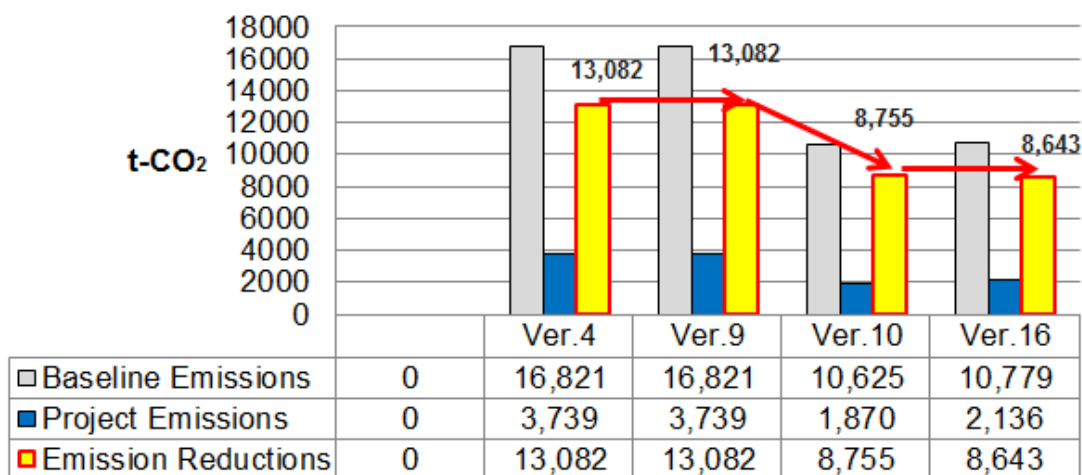
Solid measurement, reporting and verification (MRV) process is a critical requirement to ensure the quality of reduction/avoidance units and the environment integrity of approaches. Hence MRV should be a prerequisite for any approaches to be recognised under the FVA.

However, MRV process should not only stress stringency but also simplicity and flexibility. Three findings by the IGES support this view.

- 1) Obtaining satisfactory data for *ex-ante* baseline setting is one of the most burdensome processes in the CDM registration process. Alternatively, for example, baseline could be estimated in parallel with project implementation as the monitoring data becomes available. The use of pre-defined default values is another option.
- 2) Existing mechanisms such as clean development mechanism are increasingly allowing flexible tools such as conservative values. Figure 2 shows that the quantity of emission reduction changes as the methodology introduces the use of default values. In this regard, “a ton is a ton” is not necessarily a principle that FVA needs to pursue.
- 3) The majority of landfill methane recovery (AMS-III.G.) projects registered as CDM voluntarily employs “methane recovery rate” (0.5-0.7), which is not in the methodology. This is an approach to ensure environmental integrity in the absence of reliable data.

Figure 2: Methane recovery in wastewater treatment (AMS-III.H.)

Even under the same inputs, the quantity of emission reduction changes as the methodology employ conservative default values.



Source: IGES

*(d) Technical specifications to avoid double counting through the accurate and consistent recording and tracking of mitigation outcomes;*

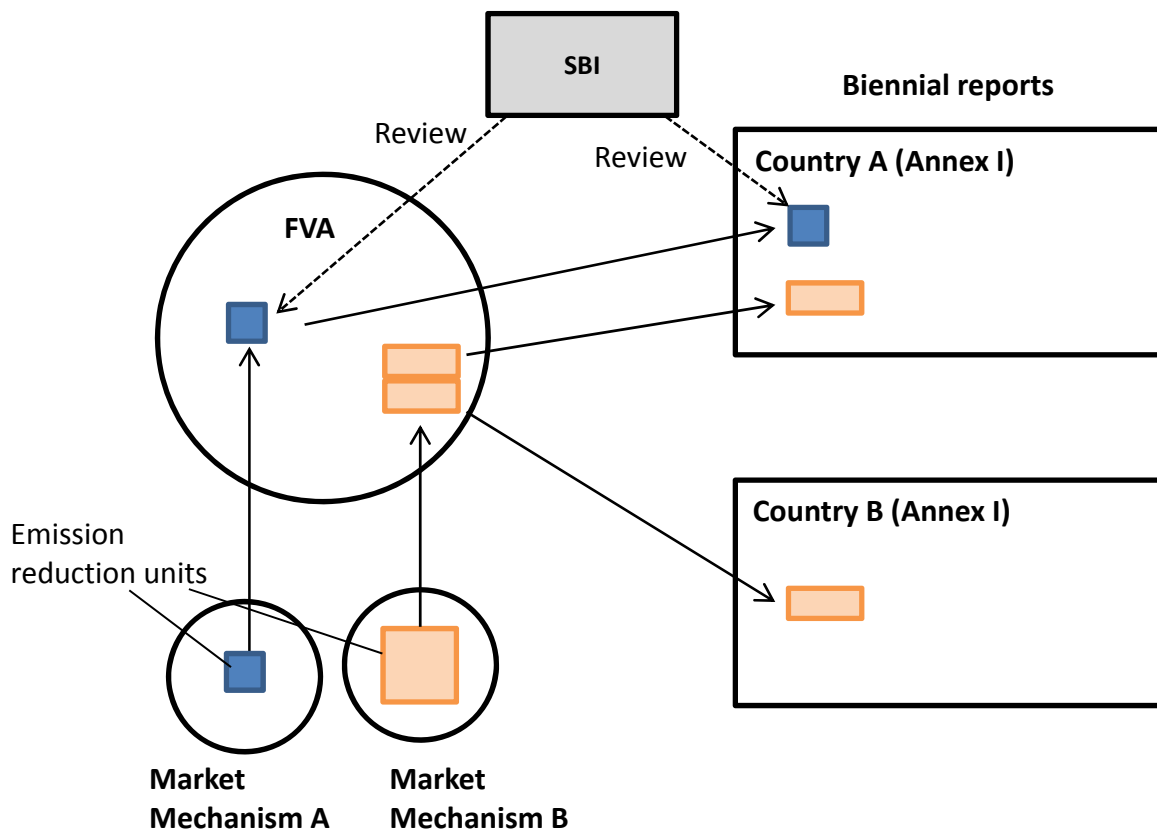
A global carbon registry, a single registry that covers all the GHG reduction units in the world, is the ultimate solution to ensure accurate and consistent recording and tracking of units. However, such unitary system may require preparatory arrangements.

In order for the FVA to operate immediately, several types of registry may co-exist. Those may include registries for NMM, national registries and other voluntary approaches. In such circumstances, transactions between different types of registry would require a clearing house, a body that compiles data (i.e. emission reductions achieved through different mechanisms) from each registry under the FVA. The International Transaction Log is providing this function for Kyoto mechanisms.

*(e) The institutional arrangements for the framework;*

The FVA channels emission reduction units achieved in market mechanisms. Annex I Parties can refer to the emission reduction units in their biennial reports, but the units are subject to review by Subsidiary Body for Implementation (SBI).

Figure 3: Illustrative image of the institutional arrangements for the FVA




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