

# Workshop on a new market-based mechanism Summary of technical paper

Bangkok, Thailand, 31 August 2012



## Status of technical paper

---

- **Durban 2011: 2/CP.17 para 79-86, request the AWG-LCA to conduct two work programmes to:**
  - a) Consider a framework for various approaches (FVA)
  - b) Elaborate modalities and procedures for the new market-based mechanism (NMM)
- **Bonn 2012: (AWG-LCA 15); AWG-LCA requested the secretariat to prepare a technical paper based on submissions (old and new), the workshops, and discussions in meetings of the informal group on various approaches.**
- **Aim to facilitate **focused** discussions**



## Basis for technical paper

---

### **Durban decision 2/CP.17, para 79-86, incl. preamble**

#### **Pre- Bonn**

- 34 total submissions received
- 14 from Parties
- 20 from admitted observer organizations

#### **In Bonn (AWG-LCA 15)**

- 2 workshops + 2 meetings of the informal group

#### **Post-Bonn**

- 10 total submissions received
- 8 from Parties
- 3 from admitted observer organizations



# Structure of technical paper

---

- 1. Introduction (Mandate, scope, purpose)**
- 2. Context**
- 3. Framework for various approaches**
- 4. New market-based mechanism**



# Mandate for AWG-LCA on NMM

---

## Design of NMM to be guided by 1/CP.16

- a) Ensure voluntary participation
  - Should not impose mitigation commitments
  - Provide support and capacity building for SIDS/LDC
  
- b) Complementing other means of support for NAMA
  - NMM could support NAMA
  - Avoid double counting
  - Might target higher cost mitigation (leave low cost to host)
  
- c) Stimulate mitigation across broad segments of the economy.
  - How to transmit incentives to individual entities when result is based on the performance of the “broad segment”?



## Mandate for AWG-LCA on NMM

---

### **Design of NMM to be guided by 1/CP.16**

- d) Safeguard environmental integrity
  - Real, permanent, verified and additional mitigation outcomes
- e) Ensuring net decrease / avoidance of GHG emissions
- f) Assisting developed country parties to meet their part of their mitigation targets
  - Perhaps also developing parties may wish to use NMM units
- g) Ensure good governance and robust market functioning



# Models for new market-based mechanism

---

## Models for NMM

- Crediting approach
- Trading approach

## Range of models proposed for NMM:

- Centralized mechanism, similar to scaled up CDM
  - Host country driven mechanism, similar to some proposals for the framework for various approaches
  - Net avoidance mechanism
  - Programmatic instead of sectoral approach
  - Variations of NAMA crediting
- CDM-like mechanism OR framework-like mechanism



## Eligibility and use of units

---

### **Requirements for host countries:**

- Being a developing country
- Having adequate MRV and registry systems
- Have sectoral or economy-wide target below BAU levels

### **Requirements for countries using of mitigation units**

- Having a mitigation commitment under the convention
- Having a mitigation commitment under KP
- Open to all convention parties
- And other entities





## Governance of NMM

---

### **NMM is operated under the guidance and authority of the COP**

- But a more host country driven approach has been suggested (as compared to KP mechanisms)
- Advantages: better tailoring to national circumstances, better support to national capacity building, and reduced work for international body overseeing the mechanism.
- Disadvantages: More administrative burden on host countries, less potential to use existing institutions, risk for less consistency across countries



## Defining “broad segments of the economy“

---

- A. Definition at full discretion of host country
- B. Need for common definitions:
  - Based on type of product or services (IPCC guidelines)
  - Based on general criteria such as:
    - The scale of mitigation potential
    - Availability of data for baselines and capacity for monitoring of performance
    - Likelihood mitigation is additional
- Careful definition of boundaries – emissions leakage



## Setting baselines, thresholds, targets

---

- Need for “ambitious” baselines, thresholds, targets
- Two approaches:
  - Project based
    - compare to BAU scenario
  - Performance based
    - Compare to relevant lower emitting practices
- Both approaches have drawbacks
- Parties to establish guidelines (accuracy, sensitivity, completeness, materiality, local conditions etc) – possibly a negotiated process.



# Reporting and review

---

- Process for review/approval of proposed activities
- Reporting elements could include i.a.:
  - Design of activity
  - Annual reporting on verified mitigation
    - Also improving transparency and replication of successful activities
- Technical review of proposed activities and outcomes by experts at international level
- Outcome of review process could be basis for approval



# Accounting and unit tracking

---

- Effective tracking of units is essential to standards for environmental integrity.
  - To avoid double counting
  - To ensure achievement of net decrease/avoidance
- Linked to processes for counting achievement of pledges
- Centralized approach: For example, adapt the ITL
  - Strict role and approach
  - Only technical checks and transparency function
- Decentralized approach: country-to-country links between national registries



## Next steps

---

- Develop modalities and procedures , with a view to recommending a decision to COP 18.
- Level of progress possible by Doha?
  - Identification of issues to be considered
  - Drafting text on issues to be considered
  - Defining continued work (what and where)



Thank You!

