



Modalities and procedures for New market-based mechanism

Nicole Wilke, EU



Objectives of New market-based mechanism

- Scale up the mitigation effort in all countries while safeguarding environmental integrity:
 - Operate at larger scale than project-based approach
 - Ensure a net decrease in emissions
- Provide incentives for setting up cost-effective mitigation policies in host countries:
 - More strategic view from host country
 - Provide more flexibility in terms of mitigation options
- Reduce transaction costs

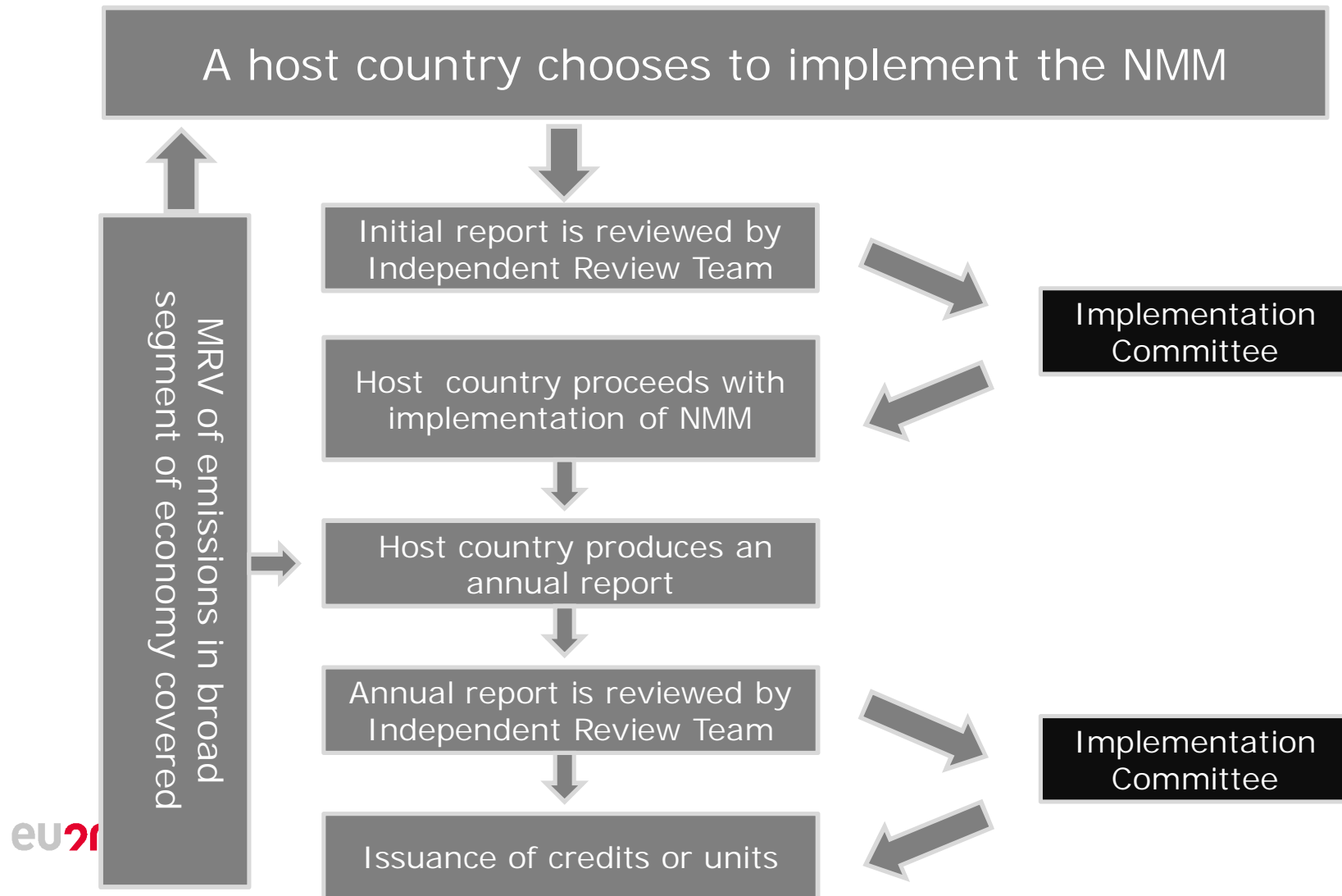


General principles for NMM design

- A common core set of rules allows different forms of implementation while
 - Ensuring environmental integrity
 - Eliminating risk of market fragmentation
 - Eliminating risk of double counting
- Building on the characteristics agreed in Cancún
- Contributes to sustainable development
- Greater host country ownership: everything that can be done at host country level, may be done there
- Resulting in internationally tradable units representing 1 tonne of CO₂-equivalent that are real, permanent, additional and verifiable



NMM operational cycle (illustrative example)

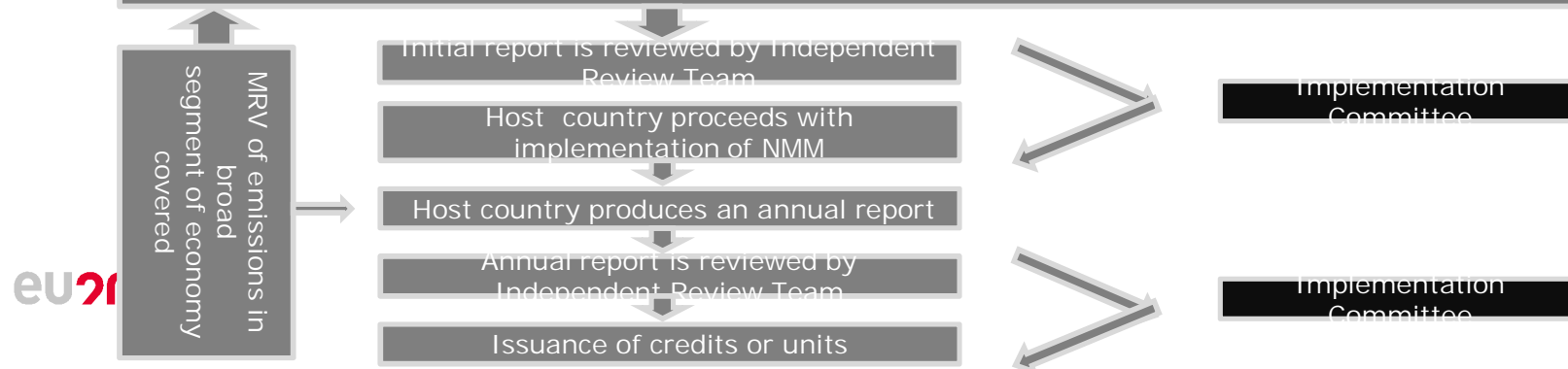


NMM operational cycle (illustrative example)

Governance: what is determined nationally ?

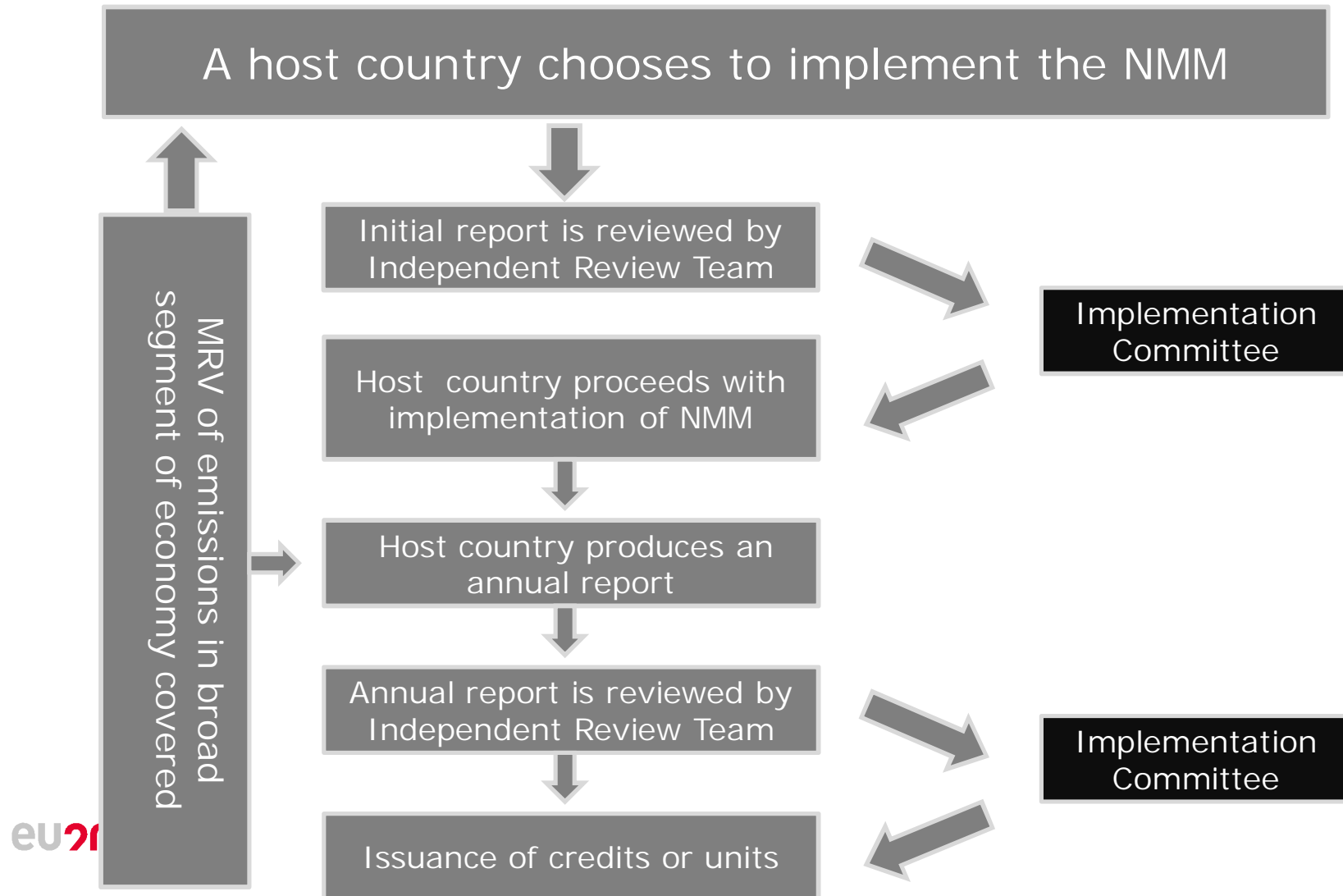
A host country chooses to implement the NMM

- Chooses coverage: broad segment of economy
- Estimates baseline emissions pathways
- Chooses trading or crediting route
- Proposes crediting threshold or target
- Defines domestic actions
- Appoints competent authority for implementation
- Sets up MRV system
- Sets up registry



NMM operational cycle (illustrative example)

Governance: what is determined under UNFCCC?



Governance

What is determined internationally (UNFCCC)?

- Common core set of rules: modalities and procedures
- A system of initial and annual reports
- Checks and balances: review of initial and annual reports, check if requirements in M&P are met
- Guidance: standards, guidelines, procedures, templates to facilitate the implementation of NMM
- Oversight: report on implementation, recommendations, resolution of question of implementation
- Approval of crediting thresholds
- Facilitated participation: if host country cannot perform certain functions



Work programme

- In Bonn: discussion on elements to be covered by Modalities and Procedures for NMM
- Between Bonn and Doha: draft Modalities and Procedures for NMM
- In Doha: adoption of Modalities and Procedures for NMM
- Further guidance needed in 2013
- After Doha NMM should move to the SBs
- Pilots are needed to gather practical experience



New market-based mechanism

- A mechanism that is voluntary and ensures environmental integrity
- Flexibility of design left to the host country
- Independent review to safeguard environmental integrity
- Avoids double-counting and tracks progress against pledges, NMM credits would need to be accounted in a systematic and clearly comparable manner
- Provides new sources of finance
- We want modalities and procedures to be adopted in Doha, setting up a clear governance framework



THANK YOU



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