

AOSIS TEXTUAL PROPOSAL ON MARKETS (Section D)

Streamlining Proposal for paragraph 39

Rationale

- The current negotiating text contains provisions related to market-based tools at [paragraph 39](#) in section D (Mitigation) and at [paragraphs 152-160](#) in section I (Transparency). [Paragraph 194](#) on compliance in section K is also relevant.
- Markets relate most closely to the **mitigation** section, rather than the transparency section
- The **purpose** of market mechanisms, **principles for their use**, and provisions related to the **accounting of market transfers** toward the achievement of mitigation commitments should be grouped together in the mitigation portion of the text.
- Paragraphs related to the need for **elaboration of further rules, procedures and modalities** for markets could be grouped together.
- Provisions related to the **consistent use of estimation methodologies, adjustments, common metrics** could be grouped together for streamlining where they relate to markets

Linkages to be made

- A link should be made between use of markets and the **compliance system** set out at Section K (Facilitating implementation and Compliance)
- **Eligibility rules** will also be essential to ensure environmental integrity and require further elaboration.
- Finally, this section is a natural place to clarify the conception of **net benefits**.

Streamlining proposal

- Paragraph 39 contains many options that are common to various proposals and that could be streamlined. Many of the elements that are repeated in various proposals are also contained in decision 1/CP.18, paragraph 51, related to the new market mechanism and this paragraph could be referenced in streamlining the text, noting the need to elaborate each of these elements prior to use of markets

TEXTUAL PROPOSAL to streamline elements of paragraph 39:

“For the purpose of meeting a portion of its mitigation commitment under Article X, any Party may elect to use certified units (CU) generated under the new market-based mechanism defined under decision 2/CP.17, paragraph 83, subject to the adoption by the Governing Body of modalities and procedures elaborating each of the elements in decision 1/CP.18 paragraph 51, and the adoption of eligibility rules for participation which promote fair and equitable access for all Parties. These modalities and procedures shall ensure that the design and operation of the mechanism delivers net global emission reductions, through the cancellation of a share of units generated, transferred, used or acquired from offsetting activities.”