

## Submission by South Africa

### NEW MARKET-BASED APPROACHES

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South Africa welcomes the opportunity to submit its views on new market mechanisms to enhance the cost-effectiveness of, and to promote, mitigation actions, bearing in mind different circumstances of developed and developing countries.

South Africa asserts that Market based approaches are those approaches that enable the international transfer of units created by activities that reduce or avoid greenhouse gas emissions against a defined and transparent baseline. South Africa further asserts that the Framework for Various Approaches (FVA) shall govern the adoption and application of various market-based approaches by Parties; which in turn is governed by the Conference of Parties.

The New Market-based Mechanism (NMM) must build on the experiences and lessons learned from the Clean Development Mechanism (CDM) ensuring that the problems such as inequitable regional distribution are not repeated in the design of the NMM, capacity at project level, availability of technologies, project size as well as where funds are sourced from. There should be no one size fits approach, but rather the unique circumstances of developing countries should be taken into account. The NMM must be accessible to all developing country Parties and only be accessible as buyers to those developed country Parties that have expressed quantified emission limitation and reduction obligations under the Convention and its Protocol.

These mechanisms should be used only if developed country parties have taken legally binding targets. Also linked to these should be the revenue sharing mechanism linked to the US\$100 billion target, and the implementation of which should be such that there is no net incidence on the part of developing country parties or transfer of burden to developing countries.

The NMM design must encompass the following elements:

- Result in real emissions reductions
- Be supplemental to domestic action, therefore the appropriate ratio between the Party's level of mitigation and use of NMM should be properly determined.
- Be subject to the common standards developed under the FVA:
  - Deliver real, permanent, additional and verified emissions reductions and/or avoidance which include the following:
    - Reduction of greenhouse gas emissions by sources or avoided emissions resulting from a clearly identified action or policy (activity);

- Emissions reductions or avoided emissions are accurately measured and recorded over time, at a reasonable frequency
- Provision for unit tracking and registering;
- The effective tracking of activities (therefore units created), including registries that record the attributes, quantities and ownership of units, and transaction logs that record the movement of units within and among Parties;
- The effective operation of emissions trading systems, including emissions caps, unit distribution and points of regulation;
- Good governance, including the development of appropriate legal and regulatory frameworks
- Ensures fungibility of units generated by mechanisms under the Convention and its Protocol.
- The stimulation of mitigation across the economy and in sectors is more a party driven process as long as parties adhere to IPCC guidelines.
- There should also be a robust M&E methodology as well as a baseline.
- Disallow double counting by ensuring the following:
  - A unit can be claimed only once, and on an exclusive basis, towards the achievement of a developed country Party's mitigation commitment or target, or towards the achievement of a developing country Party's mitigation action;
  - If a developed country counts units towards its mitigation commitment or target, it cannot also count the carbon finance as a contribution towards the financial goal of US \$100 billion per year by 2020.
  - Measures exist to ensure the accurate and consistent quantification of activities (units created)
- The work programme on the NMM must be robust and developed in a transparent manner that is fully inclusive of all Parties.
- The institutional arrangement should be such that NMM is regulated through the broader FVA framework and have its executive board, similarly to the CDM but also have links to other existing mechanisms under the COP.
- Participation in the various mechanisms should be voluntary but to attract participation there must be adequate demand, there may have to be a consideration for exploration of price floors, introduction of reserve margins for tradable units, regulation of the market to intervene when the market takes too long to clear.