

Outcomes of the workshop on the new market-based mechanism

Presented by the co-facilitators of the workshop on the new market-based mechanism

Warsaw, Poland, 11. November 2013



- **SBSTA 38:**
 - Invited further submissions on a number of questions for clarification related to the role and the technical design of NMM
 - Requested the secretariat to:
 - Organize a workshop prior to SBSTA 39
 - Prepare a technical synthesis for the workshop and SBSTA39 (FCCC/SBSTA/2013/TP.5)
 - Prepare a report of the workshop for SBSTA 39 (FCCC/SBSTA/2013/INF.12)

- **Aim of the workshop:**
 - Discuss the questions identified by SBSTA 38 to advance the work towards fulfilling the mandate provided in 1/CP.18, paragraph 50



Workshop sessions

- **Opening of the NMM workshop**
- **Summary of the technical synthesis**
- **Session I:** Options for the purpose, scope and institutional arrangements
- **Session II:** Options for the NMM modalities & procedures
- **Session III:** Means to stimulate mitigation across broad segments of the economy and facilitation of the effective participation of the private sector
- **Session IV:** Criteria for accurate and consistent recording and tracking of units
- **Session V:** Standards to achieve mitigation; MRV requirements; the share of proceeds and criteria and methods for the establishment of reference levels and the issuance of units
- **Session VI:** Discussion on the facilitation of a prompt start and the way forward for COP19
- **Summary by the co-facilitators**



Options for the scope and context of the NMM

- Convention principles, provisions and commitments shall apply to the NMM
- NMM shall operate under the FVA
- NMM would be subject to robust standards, MRV requirements, criteria, methods and accounting rules to achieve net mitigation, which should be similar or more stringent than those under the Kyoto Protocol
- Possible link to increase of ambition before 2020 and the 2015-agreement, NAMAs, REDD+ and other MRV processes



NMM could be different from existing mechanisms in terms of ambition and scope by:

- Going beyond offsetting and resulting in net mitigation
- Use of NMM units not only under the Kyoto Protocol, but also under the Convention
- Next to crediting, allowing also for trading with or between developing countries
- Covering broad segments of the economy
- Introducing more flexibility and more responsibilities for host countries



Options for the scope of the NMM

- NMM should cover broad segments of the economy (Decision 1/CP.16)
- NMM should allow for crediting and trading
- NMM could be non-discriminatory for activities, gases and sectors OR specify activity types that should be included or excluded

BroadSegments
Trading
Crediting
MicroScale
Non-discriminatory
Discriminatory
REDD+
NAMAs



Options for the institutional arrangements of the NMM

- COP shall provide guidance to a body
- The body shall implement the guidance and report back to the COP
- Functions of the body could include oversight and conformity checks to ensure environmental integrity and avoid double counting and the provision of rules and guidance for example in relation to eligibility, baselines, transfers of units and MRV
- Host countries could be responsible for:
 - The definition of a broad segment of the economy
 - MRV of emissions reductions
 - Avoidance of double counting through registration and reporting



Options for the NMM modalities & procedures

- Build upon lessons learned from existing mechanisms, but differences need to be reflected
- The process before the issuance must be faster than it is under the CDM
- NMM M&P should be simple and flexible, with less detailed regulatory provisions than for the CDM, in order to allow for more flexibility in implementation at the national level
- If the host countries would have greater responsibility for the national implementation of NMM activities, the processes could be different than for the CDM
- Support needed for the development of national systems for accurate MRV



Means to stimulate mitigation across broad segments of the economy

- A “broad segment of the economy” to participate in the NMM should:
 - Be defined by the host country, based on internationally agreed common compulsory elements and optional choices
 - Cover all emissions sources and companies of that broad segment



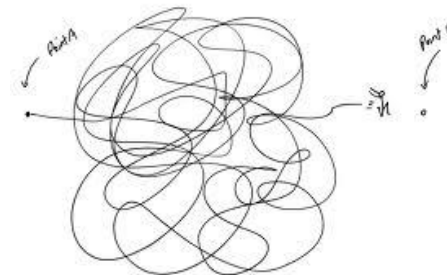
- **Possible incentives for private sector investments:**
 - A large and liquid market with many active actors, in contrast to a limited number of government-to-government transfers
 - Cap emissions in order to spur demand
 - Retain the CDM model of direct issuance of units by an international body to predefined focal points
 - The host country could play an important role for the provisions of incentives at national level
 - Simpler rules, awareness raising and capacity-building would be needed to facilitate participation of segments of the private sector that are not yet active in the carbon market, in particularly in LDCs and SIDs

 - **Key challenges:**
 - Translate governmental initiatives to individual companies
 - Avoid that crediting at the aggregated level limits the incentives for individual companies
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Criteria for accurate and consistent recording and tracking of units

- Some forms of double counting can be addressed via tracking and registration systems
- Most tracking and registration systems can already register and track non-Kyoto Protocol units
- Building upon lessons learned from existing tracking and registration systems and infrastructures
- Costs can be saved via:
 - Clear rules on possible NMM specific requirements in advance
 - Consolidation and use of common registry systems



Standards to achieve mitigation; MRV requirements; share of proceeds and criteria&methods for establishment of reference levels and issuance of units

- Apply robust standards, criteria, methods, accounting rules and MRV requirements
- Take into account the relation between pledges and baselines
- Include provisions to avoid exclusion of countries and regions due to unavailability of data
- Build upon relevant experiences such as:
 - The IPCC methodologies
 - The UNFCCC inventories
 - The flexibility mechanisms under the Kyoto Protocol
 - The allocation system and the MRV requirements of the EU ETS and of other trading and crediting systems
- Address the issue of non-permanence of REDD+ units, for example via a bank reserve
- Strengthen the role of the host countries, introduce performance indicators and a tiered approach for MRV for NAMAs, if credited
- Set a share of proceeds





Is NMM being developed too slow or too fast?



Options for a decision in Warsaw:

- Adopt (core) NMM modalities and procedures
 - Agree on a process to move step-wise in level of detail
 - Introduce a name for the NMM
 - Provide further guidance on the NMM
 - Start with information-sharing on pilots
 - Provide support and capacity building to develop pilots
- OR
- Introduce a moratorium on the elaboration of the NMM



FURTHER INFORMATION

E-MAIL: mechanisms@unfccc.int

WEB PAGE: http://unfccc.int/cooperation_support/market_and_non-market_mechanisms/items/7551.php



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