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## Subsidiary Body for Scientific and Technological Advice

Thirty-eighth session

Bonn, 3–14 June 2013

Agenda item 12(c)

**Market and non-market mechanisms under the Convention**

**New market-based mechanism**

### **New market-based mechanism**

#### **Draft conclusions proposed by the Chair**

1. The Subsidiary Body for Scientific and Technological Advice (SBSTA) initiated the work programme in accordance with decision 1/CP.18, paragraphs 50–53, to fulfil its mandate of elaborating modalities and procedures for the new market-based mechanism (NMM), with a view to recommending a draft decision to the Conference of the Parties (COP) for adoption at COP 19 (November 2013).
2. Drawing on the work of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention on this matter, including the relevant workshop reports and technical paper, experience of existing mechanisms and submissions of views by Parties and admitted observer organizations,<sup>1</sup> the SBSTA considered the following:
  - (a) The role of the NMM, including its links with other relevant matters under the Convention and its instruments;
  - (b) The technical design of the NMM, including how its possible elements, including those set out in decision 1/CP.18, paragraph 51, may be embodied in modalities and procedures;
  - (c) Further steps in the work programme on this agenda item.
3. The SBSTA agreed to continue its consideration of this matter at SBSTA 39 (November 2013), noting the need to clarify the issues set out in paragraph 2(a–c) above. To facilitate such consideration, the SBSTA agreed to invite discussion at that session of the questions set out in, inter alia, paragraphs 4 and 5 below.
4. On the role of the NMM:
  - (a) In which aspects is the NMM different from existing market-based mechanisms?

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<sup>1</sup> FCCC/AWGLCA/2012/INF.5, FCCC/AWGLCA/2012/INF.10, FCCC/TP/2012/4, FCCC/SBSTA/2013/MISC.9 and Add.1 and 2 and FCCC/SBSTA/2013/MISC.10.

(b) Is there a relationship between a Party's level of mitigation ambition and its use of the NMM and, if so, what is the appropriate relationship?

(c) What are the links between the NMM and other relevant matters under the Convention and its instruments?

(d) How can the consistency of the NMM with the objective, principles and provisions of the Convention, with the science of climate change and with environmental integrity be ensured?

5. On the technical design of the NMM:

(a) Its operation under the guidance and authority of the COP: how should the COP exercise its guidance and authority over the NMM, what should the institutional arrangements for the NMM be, and what should the role of the UNFCCC be in relation to the individual Parties that implement the NMM?

(b) The voluntary participation of Parties in the mechanism: how should this be ensured, and how can the NMM incentivize wider Party participation?

(c) Standards that deliver real, permanent, additional, and verified mitigation outcomes, avoid double counting of effort and achieve a net decrease and/or avoidance of greenhouse gas emissions: what are these standards, how should they be developed and applied, and what lessons should be learned from other experience, including under the Kyoto Protocol?

(d) Requirements for the accurate measurement, reporting and verification of emission reductions, emission removals and/or avoided emissions: what are these requirements, how should they be applied, and what lessons should be learned from other experience, including under the Kyoto Protocol?

(e) Means to stimulate mitigation across broad segments of the economy, which are defined by the participating Parties and may be on a sectoral and/or project-specific basis: what are examples of such segments, how should the NMM stimulate mitigation within them, and on what basis should the participating Parties define them?

(f) Criteria, including the application of conservative methods, for the establishment, approval and periodic adjustment of ambitious reference levels (crediting thresholds and/or trading caps) and for the periodic issuance of units based on mitigation below a crediting threshold or based on a trading cap: what are these criteria and how should they be applied?

(g) Criteria for the accurate and consistent recording and tracking of units: what are these criteria, how should they be applied, what technical systems need to be in place and what lessons should be learned from other experience, including under the Kyoto Protocol?

(h) Supplimentarity: should this be defined and ensured and, if so, how?

(i) A share of proceeds to cover administrative expenses and assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation: should there be a share of proceeds and, if so, how should it be structured and applied and at what level should it be set?

(j) The promotion of sustainable development: how can the NMM promote this?

(k) The facilitation of the effective participation of private and public entities: how should the NMM facilitate such participation and how can its incentives be structured appropriately?

(l) The facilitation of the prompt start of the mechanism: what measures should be taken to facilitate the prompt start of the NMM and what criteria should be in place?

(m) Eligibility criteria for the use of the mechanism: should there be such criteria and, if so, what are they and how and to whom should they be applied?

(n) Role of the implementing Party: what should be the role of the implementing Party in the operation of the NMM?

(o) Governance: what measures can be taken to ensure the good governance of the NMM?

6. To further conduct its work programme as referred to in paragraph 1 above, the SBSTA:

(a) Invited Parties and admitted observer organizations to submit to the secretariat, by 2 September 2013, their views on the questions referred to in, inter alia, paragraphs 4 and 5 above, and requested the secretariat to make the submissions available on the UNFCCC website;

(b) Requested the secretariat to prepare a technical synthesis of relevant materials, including those referred to in paragraph 2 above, the discussions of Parties at SBSTA 38 and the submissions referred to in paragraph 6(a) above, and to make it available for the workshop referred to in paragraph 6(c) below and for consideration at SBSTA 39;

(c) Requested the secretariat to organize a workshop, prior to SBSTA 39, while ensuring broad participation of developing and developed countries, on the questions referred to in, inter alia, paragraphs 4 and 5 above, with the aim of advancing the work of the SBSTA towards fulfilling the mandate provided in decision 1/CP.18, paragraphs 50–53, and prepare a report on the workshop and make that report available for consideration at SBSTA 39.

7. The SBSTA took note of the estimated budgetary implications of the activities to be undertaken by the secretariat as referred to in paragraph 6 above. The SBSTA requested that the actions of the secretariat called for in these conclusions be undertaken subject to the availability of financial resources.

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