

Submission by the Institute for Global Environmental Strategies (IGES)¹

Views on the new market-based mechanism referred to in paragraphs 50–51 of document FCCC/CP/2012/L.14/Rev.1, including information, experience and good practice relevant to the design and operation of the mechanism referred to in paragraph 50.

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Introduction

The IGES welcomes the opportunity to submit its views on matters related to the new market-based mechanism, as invited in the paragraph 52 of FCCC/CP/2012/L.14/Rev.1. The IGES has been conducting a range of policy research and capacity building activities on market mechanisms in ten countries in the Asia-Pacific. Our views are based the lessons and experiences from these activities.

General views

- The IGES believes in the important role of market-based mechanisms as efficient and effective policy instruments to address climate change mitigation.
- The design of new market-based mechanism (NMM) can complement existing Kyoto mechanisms by increasing its coverage to a broader segment of economy.
- NMM should build on lessons learnt from Kyoto mechanisms, particularly the clean development mechanism.

Views on specific elements

Paragraph 52 listed twelve possible elements of the NMM. This submission addresses four of them.

(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

¹ Views expressed in this submission are those held by the Market Mechanism Group of IGES. IGES maintains a position of neutrality at all times on issues concerning public policy.

In general, there is a trade-off between simplicity to generate tradable units and stringency to ensure the quality (real, permanent, additional and verified) of the units. The experience of CDM suggests that a rigorous quality assurance processes could be a burden for private sector, as well as for Least Developed Countries (LDCs) with limited capacity. Hence, a right balance needs to be struck between simplicity and stringency.

Improving the transparency is one of the cost-effective measures of strike the balance. Parties can subject their standards and methodologies for scrutiny by other Parties, experts or civil societies. By doing so, there will be an incentive for Parties to ensure decent quality of credits.

(d) Requirements for the accurate measurement, reporting and verification of emission reductions, emission removals and/or avoided emissions

Measurement, reporting and verification (MRV) are critically important to assure the quality of emission reduction/avoidance units under the NMM.

- It should be recognised that MRV entails multiple types, which need to be distinguished to avoid conceptual confusion. In general, MRV consists of four different levels: organisational, project, national and policies (See Annex). Methodologies and experience at one level may not be immediately applicable to another level.
- Capacity building support is essential for developing country Parties with limited experience on implementing market-based mechanisms. The priority needs of capacity building are: 1) developing technical skills of MRV, and 2) improving data availability.
- IGES's Policy Report on "Measurement, Reporting and Verification (MRV) for low carbon development: learning from experience in Asia" is a useful point of reference.

(g) Criteria for the accurate and consistent recording and tracking of units

A global carbon registry, a single registry that covers all the GHG reduction units in the world is the ultimate solution to ensure accurate and consistent recording and tracking of units. However, such unitary system may require preparatory arrangements.

In order for the framework for various approaches (FVA) to operate immediately, several types of registry may co-exist. Those may include registries for NMM, national registries and other voluntary approaches. In such circumstances, transactions between different types of registry would require a clearing house, a body that compiles data (i.e. emission reductions achieved through different mechanisms) from each registry under the FVA. The International Transaction Log is providing this function for Kyoto mechanisms.

(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

As practiced in the CDM, a share of proceeds from the unit transactions of the NMM should be used to assist climate change adaptation efforts by developing country Parties. The share of proceeds could contribute to the Adaptation Fund, but it could also contribute the Green Climate Fund if Parties agree.

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Annex MRV of GHG emissions/reductions

		Type I: MRV of GHG emissions at organisation level	Type II: MRV of GHG reductions at project level for crediting	Type III: MRV of GHG emissions at national level	Type IV: MRV of GHG reductions by policy/action
Object		GHG emissions at organisation level under GHG scheme	GHG reductions realized by individual project	GHG emissions at national/sub-national level	GHG reductions by policy/action at national/sub-national level
Aim		Determination of GHG emissions at covered organisation under GHG scheme	Crediting and certification of amount of GHG reductions by individual project under GHG scheme	Determination of GHG emissions at national level and compliance assessment for developed countries under Kyoto Protocol	Unavailable
Methodology	M • R	Monitoring and Reporting Guidelines under GHG scheme	Monitoring/Baseline/Calculation methodologies under GHG scheme	IPCC Guidelines and UNFCCC COP/CMP Decisions	Unavailable
	V	Verification Guideline under GHG scheme	Verification Guideline under GHG scheme	UNFCCC COP/CMP Decisions and Kyoto Protocol Art. 8 with related documents for review	Unknown (probably, government that is implementing the policy/action)
Implementation body	M • R	Covered organisation under GHG scheme	Project participant of individual project	National government/sub-national government	Unknown
	V	Third-party verification body	Third-party verification body	Expert Review Team under UNFCCC/ Kyoto Protocol Art. 8	<ul style="list-style-type: none"> • Undeveloped MRV • Required level of accuracy unknown, but possibly less than medium • Important MRV regarding effectiveness of international climate regime
Characteristics		<ul style="list-style-type: none"> • Very high required level of accuracy • Technically well matured and sophisticated MRV • Sufficient knowledge and experiences accumulated in developed countries • Relatively simple 	<ul style="list-style-type: none"> • Very high required level of accuracy • Technically well matured and sophisticated MRV • Globally operated via CDM all over the world • Technical difficulties inherited in baseline setting, additionality demonstration 	<ul style="list-style-type: none"> • Medium required level of accuracy (not as much as Type I and II) • Technically matured and widely operated in developed countries / Not well established in developing countries • Relatively simple 	
Examples operated		<ul style="list-style-type: none"> • EU-ETS • Climate Registry • California Climate Action Registry (US) • Tokyo Metropolitan Government ETS • JETS (Japan) 	<ul style="list-style-type: none"> • CDM • VCS • J-VER (Japan) • BOCM (Japan: under developing) 	Submission and review of National GHG Inventory	Unavailable
International standards/ Guidelines		<ul style="list-style-type: none"> • ISO14064-1 • ISO14064-3 • ISO14065 • ISO14066 	<ul style="list-style-type: none"> • ISO14064-2 • ISO14064-3 • ISO14065 • ISO14066 	<ul style="list-style-type: none"> • IPCC Guidelines (M/R) • UNFCCC COP/CMP Decisions (R/V) 	Unavailable

Source: Ninomiya, Y. 2012. Classification of MRV of Greenhouse Gas (GEG) emissions/reductions: for the discussions on NAMAs and MRV. IGES Policy Brief No.25. IGES, Hayama, Japan.