



United Arab Emirates



UNFCCC Workshop on Various Approaches: Considering a Framework for a Fragmented World

Bonn, Germany

Saturday, 19 May 2012



Durban decision on various approaches

79. Emphasizes that various approaches, including opportunities for using markets, to enhance the cost-effectiveness of, and to promote, mitigation actions, bearing in mind different circumstances of developed and developing countries, must meet 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;

80. Requests the Ad Hoc Working Group on Long-term Cooperative Action under the Convention to conduct a **work programme** to consider a **framework for such approaches**, with a view to recommending a decision to the Conference of the Parties at its eighteenth session;



A framework for a fragmented world

- Market mechanisms can be a useful tool to stimulate mitigation and to mobilize finance—AGF concluded that carbon prices of \$25 per ton could generate \$100-200 billion per year through markets alone
- Many parties are already developing their own mechanisms to drive mitigation
- **Frameworks that provide a platform for transparency, including sharing information on mechanisms and making this available, as well as perhaps some basic set of shared elements, could provide a useful means of reconciling this “fragmented world”**
- Need to strike the right balance between entry requirements of the framework and encouraging uptake
- Need basic standards but not exclusive, and any framework needs to encapsulate a broad range of national circumstances
- Helpful to build on existing mechanisms such as CDM





Elaborating a framework for various approaches

- Opportunity this year to conduct a work programme on a framework for various approaches
- Useful areas of work could include
 - identifying the required “shared elements” of various approaches that a framework could provide transparency and information sharing on
 - These could include, e.g. some of the elements listed in para 79 of 2/CP17 or in the Cancun Agreements
 - Exploring whether/how high to set any bars related to those elements
- As the work becomes increasingly technical, good to draw on expert advice and, looking ahead, perhaps establish some terms of reference for any additional work that needs to be undertaken
- Remember: CDM was agreed in 1997, its details were only finalized in 2001, and the first credits were not issued until 2005—so we have some work ahead of us!





The Clean Development Mechanism

- Despite flaws, one of the most successful vehicles for financing developed country mitigation so far.
- Need to build and improve upon lessons learned from the CDM to improve the design of future mechanisms and frameworks.
- How can experience from the CDM be leveraged as we look ahead towards a framework for various approaches, including a NMM?
 - Lessons learned from the CDM can help inform better design of NMMs, as well as inform a framework.
 - Important to build upon the learning-by-doing, capacity building, and institutions that have been developed through the CDM.
 - CDM should also complement and operate in a coordinated fashion with NMMs and a framework.
- Need to ensure that future mechanisms and frameworks are inclusive, and create opportunities for participation of all countries and all sectors, including from both supply and demand side. Need to ensure we build upon experience from CDM while not reinventing the wheel.

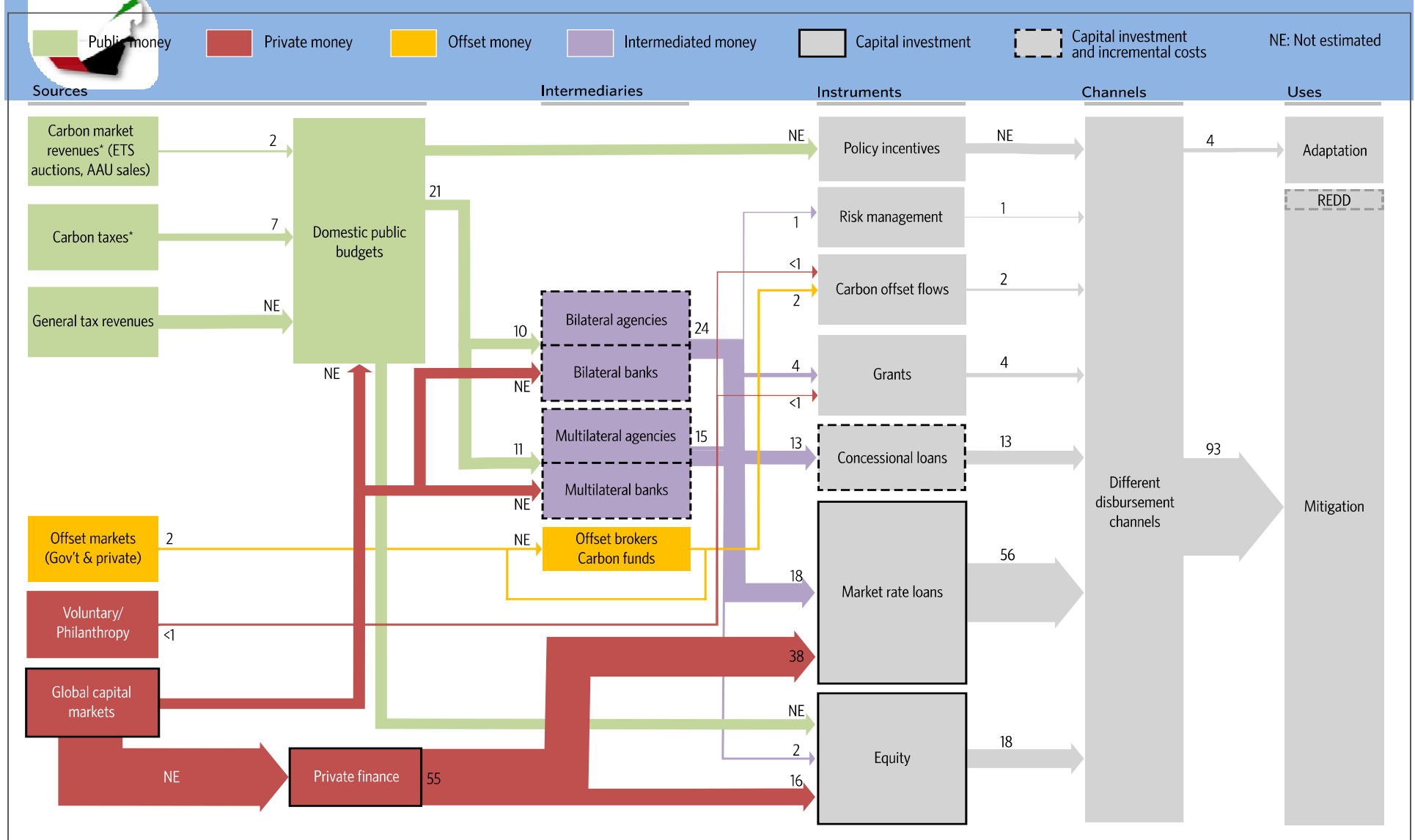




Market frameworks and finance

- Structured correctly, new mechanisms and/or framework(s) may contribute to substantial financial flows.
- For countries unlikely to seek grants, e.g. through the GCF, market mechanisms provide an opportunity to support additional mitigation.
- Market mechanisms and frameworks will generate financial flows of a certain kind, and we need to bear this in mind as we design the broader finance framework.
- Characteristics of the new mechanisms may have implications for finance that we may wish to address, for instance in geographical distribution, or to compensate the adaptation/mitigation balance.
- So, we need to think about a framework that:
 - maximizes flows;
 - complements other sources of finance;
 - creates opportunities for a broad range of participants, particularly those that might not consider traditional sources of finance like the GCF;
 - beyond just the finance mechanism, we also need to think about how any framework complements the technology mechanism, our work on NAMAs, etc.

Figure ES-1. Current climate finance flows (in USD billion)



Source: Climate Policy Initiative (CPI)

Notes: Figures presented are indicative estimates of annual flows for the latest year available, 2009/2010 (variable according to the data source). Figures are expressed in USD billion and are rounded to produce whole numbers. Estimates spanning multiple years are adjusted to produce annual-equivalent estimates. Where ranges of estimates are available, the mid-point is presented. All flows are incremental except for those identified as full or partial 'capital investment'. Most data presented relate to commitments in a given year, due to limited availability of disbursement data. *Estimated carbon pricing revenues indicated are not necessarily wholly hypothecated for climate finance.

