

AOSIS TEXTUAL PROPOSAL ON MARKETS (Section D)

Bridging Proposal

“For the purpose of meeting a portion of its mitigation commitment under Article X, any Party may elect to use certified units (CU) generated under the new market-based mechanism defined under decision 2/CP.17, paragraph 83, subject to the adoption by the Governing Body of modalities and procedures elaborating each of the elements in decision 1/CP.18 paragraph 51, and the adoption of eligibility rules for participation which promote fair and equitable access for all Parties. These modalities and procedures shall ensure that the design and operation of the mechanism delivers net global emission reductions, through the cancellation of a share of units generated, transferred, used or acquired from offsetting activities.”

Rationale

- The above textual proposal was submitted by AOSIS at ADP2-9 in June 2015 in connection with Section D Mitigation of the Geneva Negotiating Text (GNT). It remains equally relevant now as a bridging proposal to assist in streamlining related portions of the text on markets.
- The GNT contains provisions related to market-based tools at paragraph 39 in section D (Mitigation) and at paragraphs 152-160 in section I (Transparency). Paragraph 194 on compliance in section K is also relevant.
- Similarly, the Co-chairs’ Tool contains provisions in Parts 2 and 3 that address markets. In the Co-chairs’ Tool, there is no reference to the use of market mechanisms in Part 1, except possibly in an ambiguous reference in Article 5, Section D of the draft agreement text.
- There should be no ambiguity on whether Parties are permitted to use existing or new market mechanisms under the Paris Agreement. If use of market mechanisms toward commitments is to be permitted, then there must be a clear provision on markets in the core treaty text and rules must be in place to avoid double counting.
- Markets relate most closely to the **mitigation** section, rather than the transparency section.
- The **purpose** of market mechanisms, **principles for their use**, and provisions related to the **accounting of market transfers** toward the achievement of mitigation commitments should be grouped together in the mitigation portion of the text.
- Paragraphs related to the need for **elaboration of further rules, procedures and modalities** for markets could be grouped together.
- Provisions related to the **consistent use of estimation methodologies, adjustments, common metrics** could be grouped together for streamlining where they relate to markets.

Linkages to be made

- A link should be made between use of markets and the **compliance system** set out at Section K (Facilitating implementation and Compliance).

- **Eligibility rules** will also be essential to ensure environmental integrity and require further elaboration.
- Finally, this section is a natural place to clarify the conception of **net benefits**.

Streamlining proposal

- Paragraph 39 of the GNT contains many options that are common to various proposals and that could be streamlined. Many of the elements that are repeated in various proposals are also contained in decision 1/CP.18, paragraph 51, related to the new market mechanism and this paragraph could be referenced in streamlining the text, noting the need to elaborate each of these elements prior to use of markets.
- The elements of paragraph 51 are as follows:
 - (a) Its operation under the guidance and authority of the Conference of the Parties;*
 - (b) The voluntary participation of Parties in the mechanism;*
 - (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;*
 - (d) Requirements for the accurate measurement, reporting and verification of emission reductions, emission removals and/or avoided emissions;*
 - (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;*
 - (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;*
 - (g) Criteria for the accurate and consistent recording and tracking of units;*
 - (h) Supplimentarity;*
 - (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;*
 - (j) The promotion of sustainable development;*
 - (k) The facilitation of the effective participation of private and public entities; and*
 - (l) The facilitation of the prompt start of the mechanism.*