

The future of market-based mechanisms after Doha

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- 1. What did Doha deliver (or not)**
 - 2. Where is all this leading**
 - 3. How do we get from here to there**



Markets were facing an uphill fight at Doha



Political attention/oxygen focused on KP2



Low prices → why create new supply



Consider markets as part of 2015 package



Reluctance to move too 'quickly' after Durban

Doha continued the strengthening of the CDM



KP2 assures operational continuity



Launched the review of the CDM

- Under SBI, to be concluded by Warsaw
- Inputs via submissions, CDM EB recommendations, secretariat workshop



Welcomed implementation of procedures for voluntary cancellation of CERs

- Broadened access to CDM as a mitigation tool

Doha enabled JI to be a lab for a capped world



Relaunch of revision to JI guidelines

- Under SBI, to be concluded by Warsaw
- Inputs via submissions and secretariat compilation
- “Key attributes” to include single track, unified/aligned accreditation procedures, appeals process, mandatory host Party requirements
- To consider additionality and issuance innovations



KP2 assures operational continuity in theory, but there will be a ‘gap’ in practice

- CP2 ERUs hinge on issuance on CP2 AAUs/RMUs

Doha explored role for non-UN mechanisms



Acknowledged that Parties can implement their own mechanisms, independently or jointly



Re-emphasized need for all such mechanisms to meet robust environmental integrity standards



Established SBSTA work programme for elaborating a framework for these mechanisms



But didn't clarify several key questions

- What the purpose of the framework is
- How the framework would operate

Doha created a space for the new mechanism



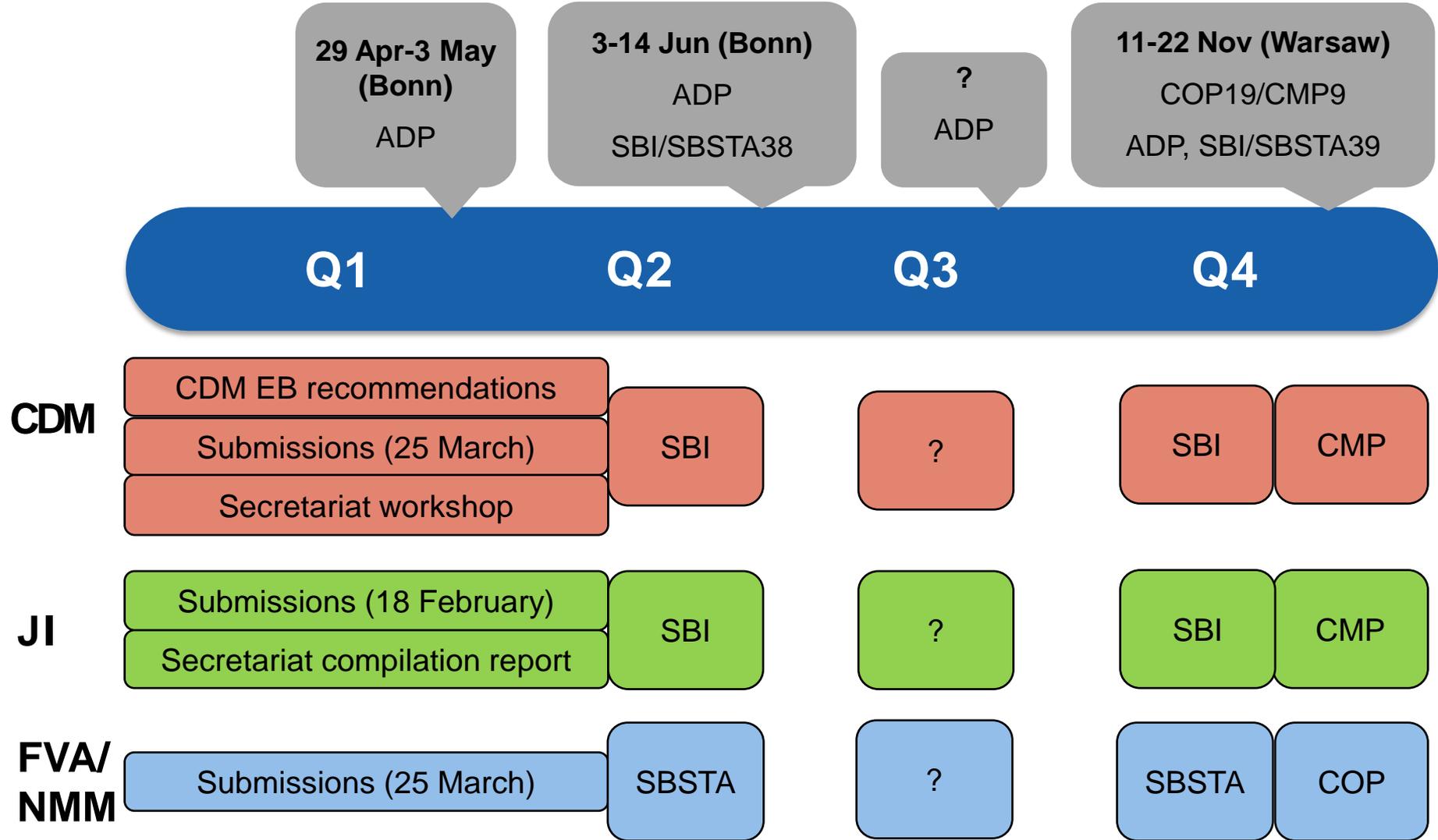
Did not elaborate modalities and procedures for the new market-based mechanism



Established work programme for modalities and procedures:

- Opens door for sectoral approaches
- Opens door for crediting and/or trading approaches
- Refers to conservative criteria for setting, approving, and periodically readjusting reference levels
- Calls for facilitating private-sector participation
- Calls for facilitating a prompt start

A busy year ahead for mechanisms



The future landscape is emerging ... gradually

Tell All the Truth — Emily Dickinson



*Tell all the truth but tell it slant,
Success in circuit lies,
Too bright for our infirm delight
The truth's superb surprise;*

*As lightning to the children eased
With explanation kind,*

The truth must dazzle gradually
Or every man be blind.

A world with robust and diverse mechanisms

- All countries mitigate by using appropriate mechanisms
 - Can involve markets, but not necessarily
 - Can be implemented independently or jointly
 - Can be UN-administered, but not necessarily
- Each country can choose what to do with the quantum of mitigation that is achieved by each mechanism
 - Keep it, count towards its domestic mitigation target
 - Transfer it internationally
- Mechanisms serve a greater good
 - Facilitate a net decrease in emissions



Framework is one tool

- In theory, broad enough to cover every mechanism that every country will undertake
 - Real/permanent/additional/verified mitigation outcomes
 - Avoid double counting of effort
 - Achieve a net decrease/avoidance of emissions
- But its purpose will likely depend on what the mechanism is used for
 - If not used to meet UNFCCC targets → framework may have a facilitative role (or none at all)
 - If used to meet UNFCCC targets →



The known unknowns

- The quality of mitigation outcomes of non-UN mechanisms:
 - What standards should apply to them?
 - How should mechanisms be measured against these standards?
 - Who will do the measuring?
- The quantity of mitigation outcomes of non-UN mechanisms:
 - How will mitigation outcomes be tracked?
 - How will double-counting be prevented?
 - How does this relate to accounting/inventories?



And the new market-based mechanism?

- Parties are generally receptive to allowing its mitigation outcomes to be used to meet UNFCCC targets
- Work is needed to clarify:
 - How to transmit mitigation incentives effectively to individual emitters
 - How to set reference levels
 - Who should govern it
 - How issuance should operate



Can Parties make progress?



Design of new tools
(framework, new mechanism)

Primarily technical

SBSTA?

Use/role of such tools,
particularly non-UN mechanisms

Primarily political

ADP?

From here to there

- Avoid paralysis of requiring full certainty on future use/role before elaborating the design
- Use pre-2020 reporting as an opportunity
 - Common tabular format (decision 19/CP.18)
 - Means to prove/report/demonstrate quality and quantity control
- Explore models for evaluating non-UN mechanisms
 - By country (as with JI)
 - By mechanism
 - By unit transfer
- Learn from the lessons of the CDM and JI



Looking to the future

- There is more common ground that is often feared:
 - Universal support for ensuring that all mechanisms meet robust environmental integrity standards
 - Interest in brainstorming models for considering whether and how different mechanisms meet these standards
 - Importance of helping countries to develop and use mechanisms (market-based and non-market-based)
- Need to build trust, comfort, confidence:
 - Markets are a leap of faith for some Parties – and private sector
 - Need for prompt action in light of declining capacity
 - Get tools ready for the time when the world will be ready to use them



Thank you!

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