



Recent work of the Climate Change Expert Group (CCXG) on market mechanisms

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Partnership for Market Readiness 4th Assembly Meeting
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Overview

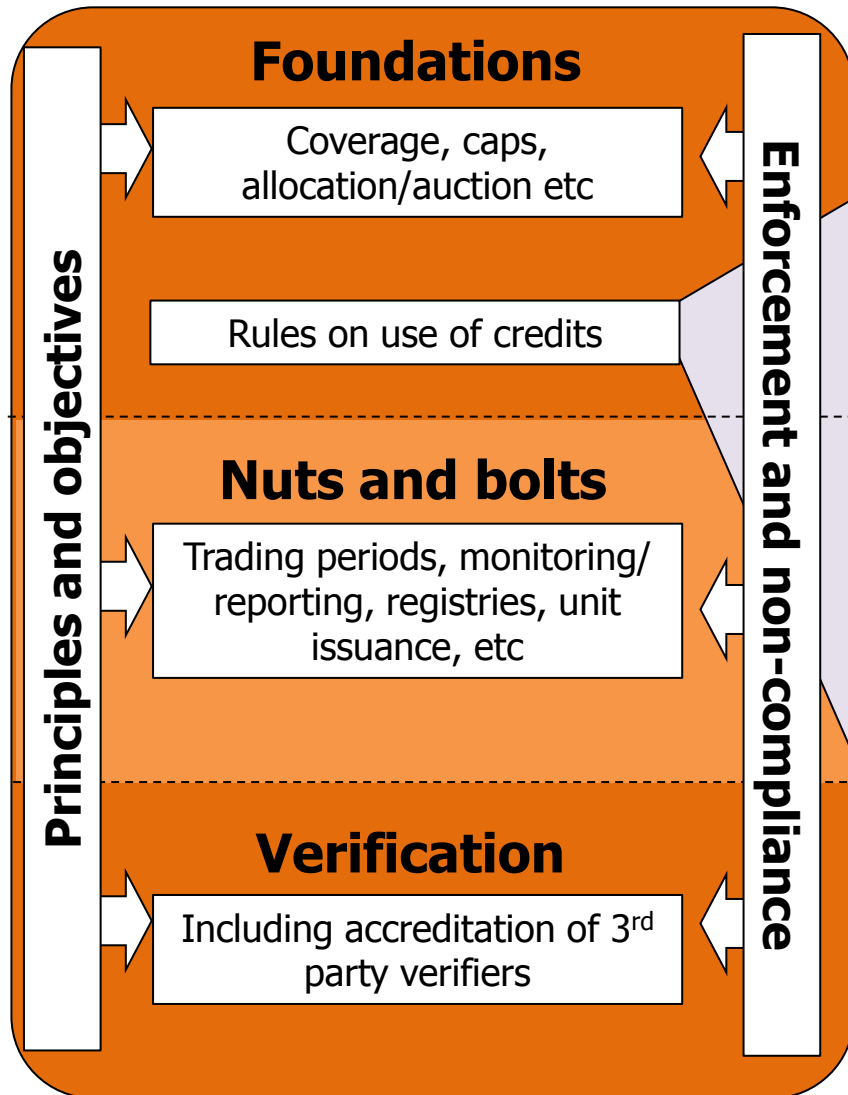
- How are domestic market mechanisms relevant for UNFCCC negotiations, and vice-versa?
- Analysing design elements and governance of market mechanisms
- Options for developing or recognising international standards under the UNFCCC

Domestic market mechanisms and the UNFCCC negotiations

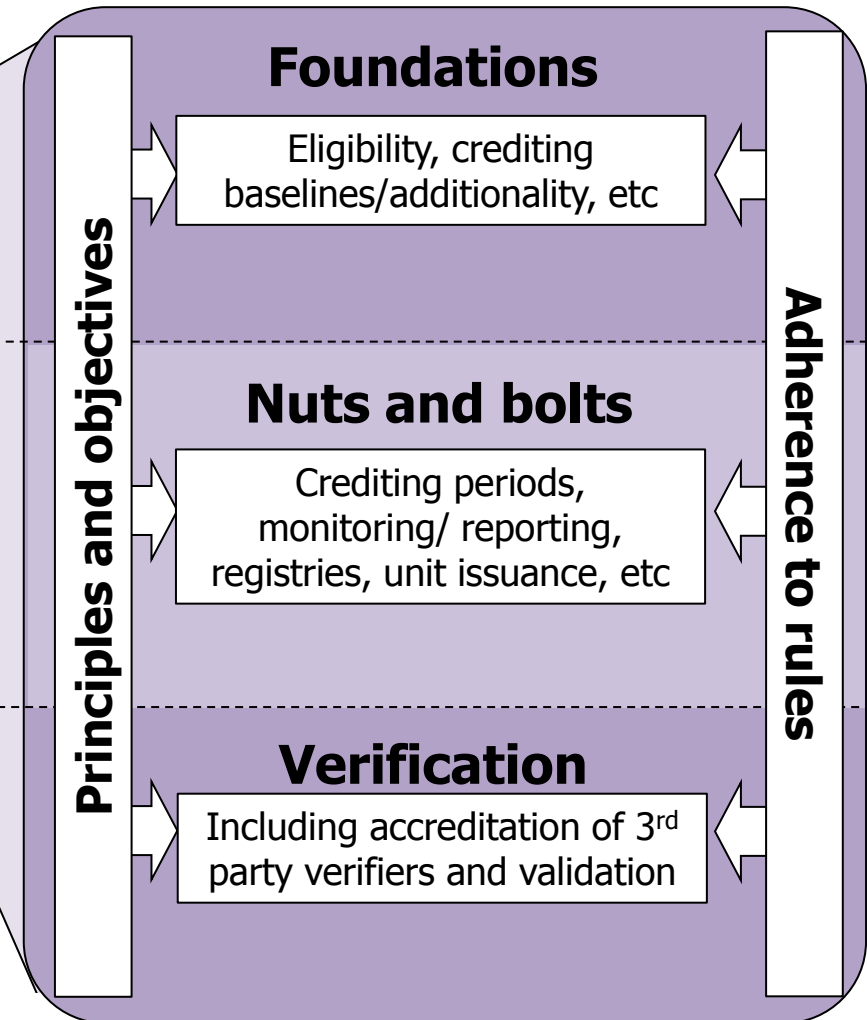
- Domestic mechanisms and international links emerging in parallel to UNFCCC negotiations
- Domestic mechanisms are not governed through the UNFCCC...
- ...but units that cross borders matter for international emissions accounting
- How can the international community have confidence in the quality of internationally-traded GHG units?

Design elements of market mechanisms

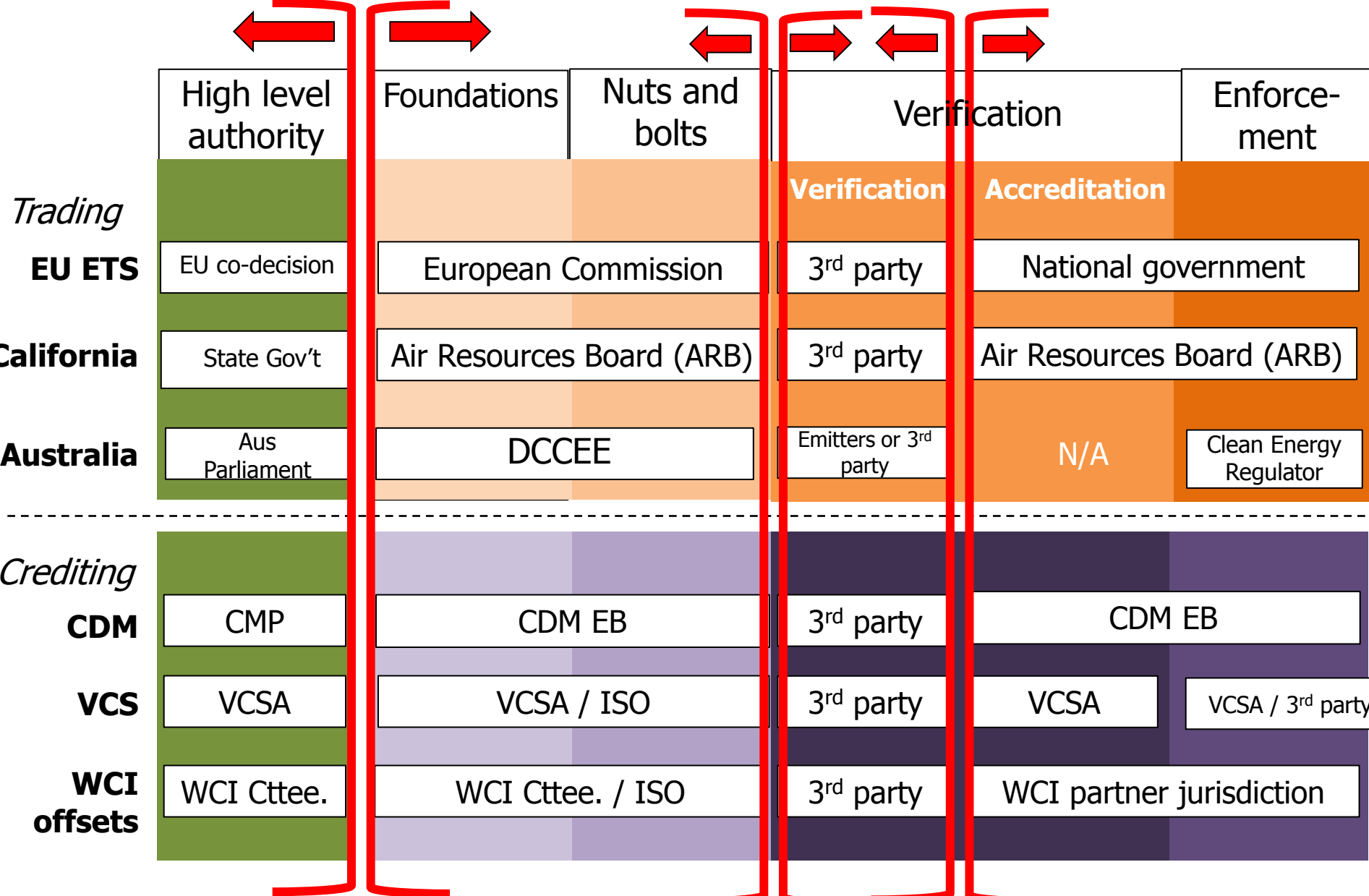
Trading system



Crediting mechanism



Governance: who does what?



Devolved governance, common standards

- Even where governance is devolved, linking and potential UNFCCC recognition facilitated through mutual confidence in design and operation
- Common principles are useful but likely not sufficient
- Use of internationally-agreed standards for design elements could help build this confidence

What *is* environmental integrity



What role for standards in UNFCCC process?

And for which design elements?

How to approach standards through UNFCCC process?

- **UNFCCC decisions to develop standards**
 - ◇ Could be broader facilitative guidance or more detailed prescriptive standards developed by subsidiary bodies
- **UNFCCC recognition of other standards**
 - ◇ Recognising ISO or other standards as valid if verified through accredited agencies
- **UNFCCC agrees only on transparency**
 - ◇ National regulators decide on standards and which units to recognise

Which elements for standards?

Foundations

- ◇ More politically-sensitive areas, particular to national circumstances
- ◇ Examples of design agreements

Nuts and bolts

- ◇ More technical aspects conducive to standards
- ◇ Monitoring standards, registry systems

Verification

- ◇ Wide experience with third party verification and accreditation
- ◇ Fairly comprehensive ISO standards

Enforcement

- ◇ Highly specific to jurisdictions
- ◇ Good practice guidelines and transparency, but is it enough ?

Thank you



TO BE RELEASED AT COP 18:
“Making Markets: Unpacking Design and Governance of Carbon Market Mechanisms”

by Andrew Prag, Gregory Briner and Christina Hood

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www.oecd.org/env/cc/ccxg

Climate Change Expert Group

