

# Latest developments under the UNFCCC, including on the Framework for Various Approaches

**PMR Technical Workshop: Different market based approaches and implications for a future carbon market**

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# Content of this presentation

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- Update on negotiations on the 2015 Agreement
- Update on the negotiations under SBSTA (Convention mechanisms) on the framework for various approaches, new market mechanisms and non market based approaches
  - a) Update on status of technical papers
  - b) Expectations for Lima
- Update on the negotiations under SBI (KP mechanisms) on CDM and JI
  - a) Update on reports from the CDM EB and JISC to the CMP
  - b) Expectations for Lima
- Round up – looking towards Paris



## ADP negotiations

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- Durban (2011), the COP:
  - a) Mandate to “develop a protocol, another legal instrument or an agreed outcome with legal force under the Convention applicable to all Parties”
  - b) Mandate to complete work no later than 2015 in order to adopt at the twenty first session of the Conference of the Parties and for it to come into effect and be implemented from 2020
  - c) Established Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP)
- Warsaw (2013) (ADP 2-4):
  - a) Negotiating text before May 2015
- Bonn, October 2014 (ADP 2-6) – most recent meeting of the ADP (two other sessions in Bonn this year)



## Short summary of what happened in ADP 2-6

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- Workstream 1 (the 2015 agreement)
  - a) Work continued on the elements of a draft negotiating text - Non Paper on Parties' views (ADP.2014.6. NonPaper)
  - b) Worked on the draft decision on the form and content of intended nationally determined contributions (INDCs) – with a new draft text issued at the end of the session (ADP.2014.7.Draft Text - version 24 October) for consideration in Lima
- Workstream 2 (pre 2020 ambition)
  - a) Technical Expert Meetings on CCS and Non CO2 gases, follow up on previous TEMs
  - b) Draft decision text on pre 2020 ambition (ADP.2014.8.DraftText-version 24 October)
- Next meeting – In Lima, in conjunction with COP20,CMP10, SBSTA and SBI 41



# A Paris outcome with interlinked components

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- Protocol, another legal instrument or an agreed outcome with legal force under the Convention applicable to all Parties
- Supplemented by COP decisions
  - a) To balance the political deal
  - b) To strengthen the implementation architecture
  - c) To launch work programmes (2016-2019)
- Growing awareness of work outside the ADP
  - a) FVA, NMA, NMM
  - b) CDM and JI reviews



## Various approaches

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- Discussions developing since Bali COP (2007)
- Website containing all documents and background available [http://unfccc.int/cooperation\\_support/market\\_and\\_non-market\\_mechanisms/items/7551.php](http://unfccc.int/cooperation_support/market_and_non-market_mechanisms/items/7551.php)
- Durban COP (2011) defined a new market mechanism to promote cost-effective mitigation and help meet developed country targets
- Doha COP (2012) set out work programmes on NMM to elaborate modalities and procedures, on FVA to focus on purpose, scope, integrity, double counting, institutions and on NMA on the elaboration of a decision
- SBSTA agenda item for each work programme; June 2014 session invited submissions and mandated technical papers based on submissions and relevant reference material



# Secretariat technical papers prior to Lima

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## **FVA paper** on how approaches

- Meet standards for environmental integrity, double counting and net decrease/avoidance of emissions
- Enable *international accounting* of mitigation outcomes
- Provide co-benefits and ensure effective institutions

**NMA paper** on best practices, lessons, international cooperation and co-benefits (sustainable development, poverty, adaptation)

## **NMM paper** to help elaboration of modalities and procedures

- Design and governance
- Meaning of *net decrease/avoidance* of emissions
- Kyoto lessons and relationship to FVA and ambition

All papers based on submissions in 2014, previous submissions and other relevant materials (including publicly available information etc).

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# 2014 Submissions on FVA, NMM, NMA

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FVA	NMA	NMM
EIG, Canada, Japan, EU, NZ, Saudi Arabia, Bolivia	EU, Saudi Arabia, Bolivia	EU, Bolivia, EIG
IGES, CEPS, CMIA, IETA, Env. Def. Fund, WBG		CEPS, IETA, WBG





# New Market Mechanism

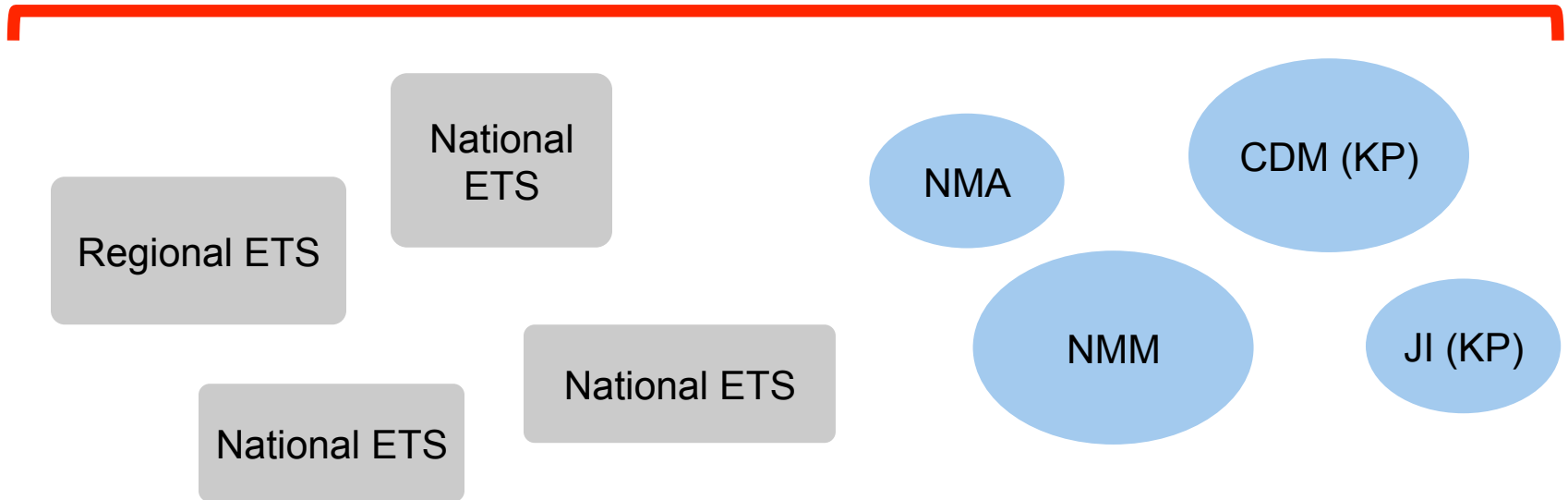
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- NMM principles: Voluntary, complement NAMAs, broad economic segments, net decrease/avoidance of emissions, environmental integrity (MRV), unit tracking, contribute to developed country targets, sustainable development, good governance, share of proceeds
- Purpose is emerging – a new international mechanism to issue tradable reductions that can be used for UNFCCC compliance
- But many issues remain:
  - a) Scope and participation
  - b) Standards, institutions, process/“project cycle”, etc.
  - c) Meaning of broad economic segments and net mitigation
- Pre-Lima submissions to help elaborate modalities and procedures



# Framework for various approaches (FVA)

FVA umbrella



FVA as a coordination framework

- Ensure real, permanent, additional and verified mitigation
- Avoid double counting, achieve net decrease/avoidance of emissions



## Framework for various approaches

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- Some movement on possible functions of the framework
  - a) Promote information sharing about domestic mechanisms
  - b) Set standards and review national/regional mechanisms (transparency, environment integrity, accounting of units)
  - c) Facilitate recognition of mechanisms so their units may be used to fulfil commitments at the international level
- Still many issues to resolve ...
  - a) Nature of recognition, use of ex ante eligibility criteria
  - b) Accounting for units, relationship to Kyoto mechanisms
- Parties to share information, experience and good practice
- Pre-Lima submissions to help elaborate the FVA design



# Non-market approaches (NMA)

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- Policy measures and mechanisms for cost-effective mitigation
  - a) E.g. taxes, incentives, standards, subsidy removal
  - b) Function without internationally transferable units
- Generally accepted as part of the FVA
- Recognition of adaptation and co-benefits
- Need clarification of where international cooperation necessary
- Pre-Lima submissions to gather information and views



## So where do we stand?

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- Complementarity between FVA NMA NMM is becoming clearer
- Little push for them to be operational pre-2020, although some Parties see a need
- Evolving thoughts on what it means to “build upon” Kyoto
- Cohesive accounting seen as a fundamental building block
- Recognition of their place in the 2015 agreement - Will that help or hinder? How best to make progress in advance of 2015 clarity?
- Technical papers likely to be published next week – to support negotiations in Lima
- ADP discussions on transparency and INDCs: may see greater connection with 2015 agreement being made towards Paris



# CDM and JI reviews under SBI

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## CDM review

- Question: Big changes or technical improvements?
  - a) Technical improvements: letters of approval, role of designated national authorities, formalization of principles of programmes of activities, accreditation of third party verifiers (DOEs) – CDM technical paper issued in March (FCCC/TP/2014/1)
  - b) Big changes – net mitigation
- Role of CDM under the 2015 agreement – some Parties want to “build on” KP mechanisms – this impacts the CDM review
- Potential relationship between CDM and NMM
- Related agenda items (LULUCF for CDM, FIE, Appeals) also impacted.

## JI review

- Still ongoing
  - Market activity has largely ceased due to uncertainty caused by absence of CP2 AAUs for conversion to ERUs
  - May be relevant for Paris – capped to capped trading mechanism
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# Markets towards Paris

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- What is reasonable to expect from a Paris outcome?
    - a) Durban mandate contains clear request for strengthening of the rules based regime
    - b) Discussion this year, in particular in most recent session, highlights broad level of consensus that those rules will need to address markets and market based mechanisms
    - c) Also seems to be general consensus on the need for a central system/ common rules base to ensure no double counting and uphold high standards of environmental integrity
    - d) Therefore, could expect Paris outcome to establish high level functions for market operation with further operational details to be elaborated
  - Further emerging elements of interest:
    - a) Emerging acceptance of the need for the agreement to encourage non-State action
    - b) Improving understanding of the broader dimensions of climate finance, the role of the private sector in mobilizing resources for action and the need for appropriate incentive mechanisms for action
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