

Update on UNFCCC market discussions

SB42 side event

Joint Crediting Mechanism - results and current progress

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Geneva Negotiating Text...some quick myth-busting...

- **So much more than just “six options”:**
 - Process in Geneva: Parties inserted text into annex to 1/CP.20 where they thought fit
 - Most markets-related text is in Section D (Mitigation – mainly paras 39 and 49) and in Section I (Transparency – mainly paras 141 and 152 to 160)
 - More markets text is found in Section F (Finance – see paras 116 and 128) and Section L (Procedural and institutional provisions – see para 212)
 - There is not much non-markets text (see paras 38, 81, 128)
 - Current position does not prejudge final position
- **The six options in para 39 are not six alternatives...**
 - Option 1 is a composition of many different Parties’ text, built on para 23 of the annex to 1/CP.20
 - Options 1, 2 and 5 overlap
 - Option 3 is accounting-focused and overlaps with some options in paras 141 and 152
 - Option 4 is a standalone alternative system for mechanisms under the agreement
 - Option 6 is to have no text
- **See overlaps and duplications document: [FCCC/ADP/2015/1](https://www.fccc.org/adp/2015/1)**



ADP text – familiar mechanisms content and new aspects

- Some of the text **resembles** KP and COP mechanisms:
 - Many familiar principles: environmental integrity, avoid double counting, real+ additional+ permanent+ verified, share of proceeds/levy for adaptation/resilience, sustainable development, supplemental to domestic action
- Some of the text **refers to** KP and COP mechanisms:
 - Recognize use of mechanisms defined in Articles 6 and 12 of KP and under Convention (options in 152, text in 212)
 - “building on the work conducted under the SBSTA regarding the framework for various approaches” (para 212, same text as annex to 1/CP.20 , para 92)
- Some **new ideas**
 - CDM+ and the Economic Mechanism (para 39 option 4)
 - Synergies with other institutions under the Convention and its instruments, such as the Financial Mechanism, Technology Mechanism (para 39 option 5, 212)



What are the themes within the text?

- **A central mechanism**
 - Crediting or trading? (para 39 option 1, option 4)
 - Overarching framework for many other activities (para 39 option 1)
- **Right to transfer and use mitigation outcomes for meeting contributions/commitments**
 - UNFCCC mechanisms, non UNFCCC mechanisms subject to rules
 - Subject to accounting rules to be developed
- **Work programme post Paris**
 - Launching work on a governance structure (para 39, 152-160, 212)
 - Building on existing infrastructure (text references to ITL and central registry – para 155)
 - Building on existing work
- **Potentially, mechanisms as a tool to increase ambition over time**
 - Relationship to finance (paras 158, 39 option 4)
 - References in INDCs



Market based mechanisms in INDCs

	International market mechanisms for INDC	Requirements for market mechanisms	Existing mechanisms
Switzerland	YES	No double counting / real / additional / verified	CDM
EU	NO	No double counting / real / additional / verified / net GHG cut	
Norway	YES	No double counting / real / verified	CDM /JI
Mexico	Conditional target	Robust / global	
US	NO		
Gabon	NO (<i>but use of domestic market instrument</i>)		
Russia	NO		
Andorra	NO		
Lichtenstein	YES	High quality standard SD co-benefits	
Canada	YES	Robust / real / verified	



What needs to be resolved, and when?

- **Big questions**
 - If market mechanisms, then what kind of central/international oversight is needed?
 - How to recognize transferred mitigation outcomes towards contributions?
 - How to avoid repeating the mistakes of Track 1 JI?
- **Smaller questions**
 - What should go where in the text?
 - What is decision text, what is agreement text?
- **Questions for later (this year)**
 - What is the connection with finance flows, and other institutions under the UNFCCC?
 - Can mechanisms play a role in raising ambition after 2020 within the lifetime of a contribution?
 - What is the connection with work under Workstream 2 and raising ambition?

