

IGES view on new market-based mechanisms

Views expressed in this presentation is based on the submission to the UNFCCC on the view of “one or more market-based mechanisms” on Feb. 2011.

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We need New Market Mechanisms (NMM) in addition to CDM

- ◆ The CDM has created many opportunities for the mitigation projects in developing country.
- ◆ We see more potential in the CDM and the reform of the CDM is necessary in order to enhance efficiency of the system and maximize its potential.
- ◆ However, we also need to recognize that there are more opportunities that the CDM has not tapped.
- ◆ E.g. Domestic emission trading, offset scheme, policy-based mitigation activities (low carbon development policy), etc.

Elements of New Market Mechanisms (NMMs)

◆ Principles

- International Framework to support market mechanisms
- Differentiation of accounting system from KP system
- More flexibility for the design of the system

◆ Governance

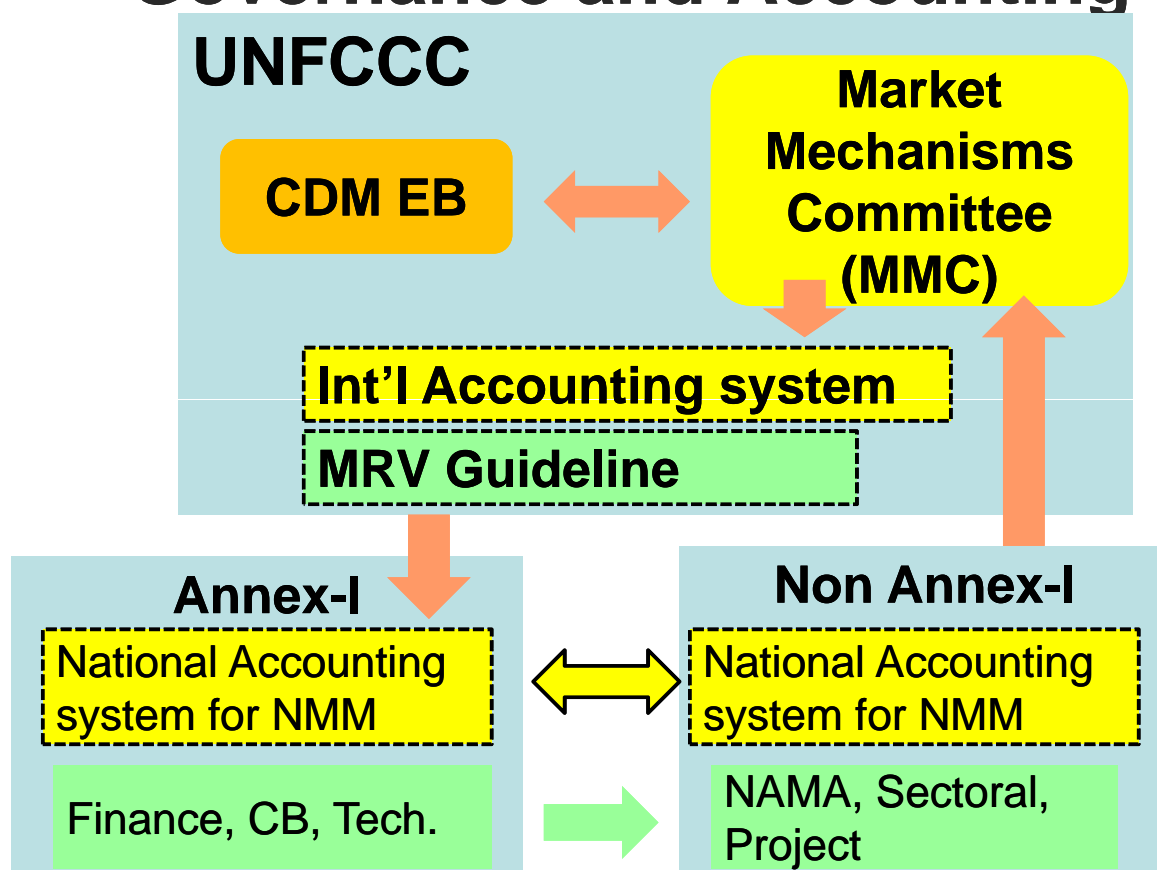
- Establish “Market Mechanisms Committee” under COP
- Develop *robust* MRV guideline
- Certify emission reductions (not the issuance of credit)
- Manage international accounting

◆ Robust MRV

- MRV guideline
- Third party GHG *validation/verification* (DOE, ISO14065)

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Governance and Accounting



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What is the Guideline for MRV?

CDM < MRV Guideline for NMM < ISO14065

Guidelines are designed to achieve a uniform approach to compliance with the applicable standards or procedures issued by the CMP and/or the EB. (EB53 Annex 38)

CDM-PDD

- A. General description
- B. Baseline/Monitoring
- C. Crediting period
- D. Environmental impacts
- E. Stakeholder

MRV Guideline

- Boundary
- Category (NAMA, Sectoral, etc)
- Reference scenario/emission
- Monitoring

ISO14065

- Boundary
- GHG source
- Baseline scenario
- ER calculation
- Monitoring

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Possible scenarios for Market Mechanism?

Scenarios 1

AWG-KP

AAUs
+
CDM+JI+IET

Scenarios 2

AWG-KP
+**AWG-LCA**

AAUs+
Pledge & Review
CDM+JI+IET
New Market Mechanisms

Scenarios 3

AWG-LCA

Pledge & Review
+
New Market Mechanisms
(Including CDM)

◆ CDM could be utilized under any scenarios

◆ New market mechanisms should compete with CDM

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Approach for Accounting

KP Units

$$\text{Emission Cap for AI} = \text{AAUs} + \text{RMUs} + \text{CDM/JI} \pm \text{IET}$$

New Market Mechanisms

$$\text{Adjusted Emissions For AI \& NAI} = \left(\begin{array}{c} \text{National Inventory} \\ \text{National Communication} \end{array} \right) \pm \text{Certified ERs by MMC}$$

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Summary and Issues Forward

- ◆ The objective of new market mechanisms (NMMs) is to recognize various approaches for ERs activities in developing countries and promoting them through certification.
- ◆ NMMs should help developing countries to achieve low carbon development while utilizing market-based approach domestically.
- ◆ Since it is early stage, we need to develop and robust MRV guideline and pilot test NMMs in order to show the effectiveness of the mechanism.

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