

Governance models for new market mechanisms

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Content

- Different governance models for new mechanisms
- Pros and Cons of different models
- Examples and country positions

A centralized governance model for new mechs.

- UN agreed mechanisms
- Centrally approved methodologies, estimation of baselines and emission reductions
- UN accredited verifiers
- single UN registry issuing and tracking the transaction of international credits.

...similar to the CDM...



Decentralised models

- Minimum criteria agreed under the UN that can make offsets and target comparable and guarantee a certain degree of env. Integrity. Possibly taking over some of the Kyoto-rules.
 - Guidelines for MRV
 - agreement on tracking of units to avoid double counting and reporting of use of credits (on the AI side).
- Others elements are established bottom-up

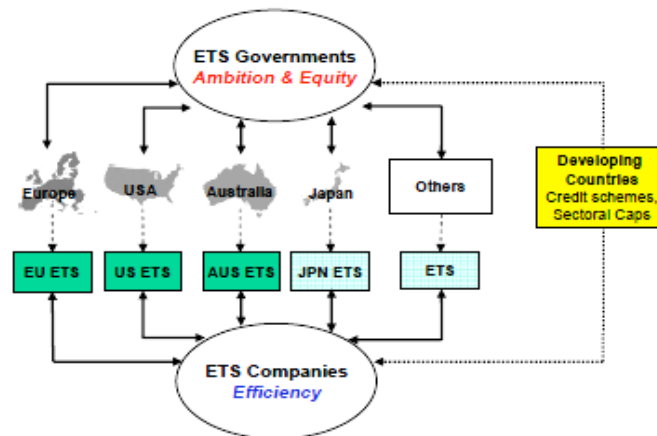
Centralized governance models

- **Advantages:**
 - More in line with past experience
 - Could be better included into a continuation of the KP rules, as a natural extension of the market mechanism experience
 - Comparable level of ambition across the establishment of baselines
 - Would make linking of trading schemes easier
- **Disadvantages:**
 - More complex process for setting up new mechanisms
 - Has the UN the capacity to deal with new mechanisms?

Decentralized/hybrid governance models

- **Advantages:**
 - Easier to establish
 - Could better accommodate host country priorities
- **Disadvantages:**
 - Makes it difficult to compare targets and pledges
 - may impact post-2012 accounting systems (fragmentation?)
 - Different kinds of credits may limit tradability

Direct and indirect linking



(Flachsland 2009)

Co-existing governance structures?

- A centralised governance model for NMBM promoted by the EU (and others?) would coexist (and potentially compete) with a decentralized model promoted by others (USA, JPN, etc.).
- Co-existing governance structures would also have implications on comparability of AI targets .

Green Investment Schemes- a bilateral mechanisms without int'l standards

- A model for bilateral agreements?
- Around than 250 Mio AAUs traded
- Some GIS schemes much better designed than others (MRV, building on existing institutional structures....)

Green Investment Schemes- a bilateral mechanisms without int'l standards

- Experiences so far have shown that many of the implemented GIS projects and programmes
 - *lack environmental integrity or*
 - *the money was misused.*
- In many cases even if the concepts guaranteeing integrity were credible the **actual implementation so far was insufficient.**

California- Coordination outside the UN?

- Californian ETS allows sector based credits
- All offset types allowed, domestic and international, have to be issued or approved by the CARB
- No big role for international credits
- Sector based programmes to be developed through existing partnerships such the International Carbon Action Partnership (ICAP).



Country submissions (1)

- 19 parties have followed the invitation of the UNFCCC Secretariat to submit their views, among them the EU and 6 other developed countries, 4 advanced developing countries and 9 other developing countries
- Many Parties such as the EU, Switzerland, Norway, New Zealand, Australia and AOSIS highlight the
 - need of common accounting principles
 - robust MRV
 - the necessity to set ambitious baselines and avoid double-counting.

Country submissions (2)

- Some consensus seems to prevail that NMBMs need some oversight by the UNFCCC.
- Among the BASIC states only China has submitted its views on NMBMs in the latest round of submissions. Notably, it wants to limit new mechanisms to projects.
- China and Singapore express the intention to allow new mechanisms only to industrialised countries that adopt an internationally legally binding agreement.

A decentralized model-Japan

- Bilateral offset mechanism
- Still involving the UN to guarantee a certain degree of environmental integrity and comparability.
- Host countries would be responsible for designing, implementing and securing transparency of the mechanisms, following basic principles directed by the COP.
- Principles agreed by the COP would include MRV of the mechanism but also provision to avoid double counting between different mechanisms



A decentralized model- Australia (1)

- A broad range of NMBMs should be available and pleads for a very flexible approach, allowing Parties to explore various designs.
- A “**common framework**” allowing Parties to submit various types of mechanisms
- No overly prescriptive modalities and procedures for individual market mechanisms



A decentralized model- Australia (2)

Common framework for market mechanisms could

- *allow Parties to individually or jointly submit for consideration by other Parties detailed design proposals of a market mechanism they intend to implement.*
- *Minimum requirements that each market mechanism must satisfy.*
- *Guidelines for the information that should be included in market mechanism proposals (eg MRV)*
- *A procedure for other Parties to consider the proposal for a market mechanism, including a possible technical review.*

Thanks!

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