| **FVA/NMM: Business and government role** |
| CEPS |
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| Jeff Swartz— Director, International Policy |
We know that the FVA should...

- **Translate all approaches** into some sort of absolute emissions trajectory

- **Knit things together and recognize** what’s good and bad at UN level

- **Capture the middle ground** of approaches which may be top-down or bottom-up and include both markets and non-markets.
But the uncertain views on the FVA are…

- **Flexibility**: How flexible the FVA should be?
- **Governance**: How centralized should it be?
- **Oversight**: How to channel national systems into a global market?
- **Unit Tracking**: Hard to think about ITL until you know what the kind of framework Parties decide. Ratification issue.
Our stated goals for a New Market Mechanism are:

- **Scale of the need** demands a significant new market mechanism to stimulate investment.

- **Continuity** from the old crediting mechanisms to a New Market Mechanism is essential for building business confidence.

- **Fungibility** of credits will promote the most efficient global allocation of capital.
But the NMM still needs to sort out:

- **Units**: How to deal with allocation of a “new AAU” against these approaches. This is the NMM instrument

- **Borders**: Creation of a broader project based mechanism is difficult when undefined principles define the only boundaries

- **Achievements**: What is the NMM intended to achieve, that existing instruments cannot?
While in the run-up to Kyoto the developing countries still strongly rejected both notions, the Kyoto Protocol surprisingly retained the option of JI with crediting involving developing countries. This was once again due to insistence of Costa Rica that managed to convince the hitherto skeptical Brazilians to table a proposal for multilateral JI. To appease the opponents of JI once again the term was changed to "Clean Development Mechanism" (CDM). Because of the lack of time in the final days of negotiations many crucial points were left open and have to be decided at future meetings of the negotiation bodies.”
New Market Mechanisms – a framework

Crediting Mechanism (i.e. Credited MAPPs)

Oversight Body (e.g. sets MRV standards, eligibility criteria etc) & Credit Conversion Mechanism (if required)

CDM

Trading Mechanism (i.e. Traded MAPPs)

GCF

Domestic Mitigation Efforts

Domestic MAPPs

International Carbon Market

Supported NAMAs

Government funding

stimulate private sector investment

Source: Shell, IETA, WBCSD
Let’s hurry up!