Review of the Doha outcome on the framework for various approaches & the new market-based mechanism

Centre for European Policy Studies, Carbon Market Forum
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Context of the Doha negotiations

• Challenging environment for elaborating market-based mechanisms under the Convention
  • Political attention/oxygen focused on securing KP2
  • Current market imbalance undermines the need to identify/create new sources of supply
  • Sense that the role of market-based mechanisms should be considered as part of the 2015 package for the post-2020 agreement
  • Reluctance to move too ‘quickly’ after COP17 in Durban (2011), where the framework was conceived and the new market-based mechanism was established
Despite these challenges…

• Doha delivered an outcome in this area
  • Parties exhibited a constructive willingness to cooperate
  • Recognition of the need to design effective tools that will be ready for use when the world is ready to use them
• Decision [1]/CP.18, paragraphs 41–53
  • Framework for various approaches (paragraphs 41–49)
  • New market-based mechanism (paragraphs 50–53)
Framework for various approaches
Framework for various approaches

- Recognition that Parties may, individually or jointly, develop and implement mechanisms
  
  \textit{paragraph 41}

- Emphasis that all such mechanisms must meet robust environmental integrity standards
  
  \textit{paragraph 42}

- Affirmation that mechanisms should facilitate an increase in overall ambition, particularly by developed countries
  
  \textit{paragraph 43}
Framework for various approaches

• Parties have created a space to explore this topic

• Elements of the framework:
  
  • Purposes
  • Scope of mechanisms to be covered
  • Criteria and procedures to ensure environmental integrity ("quality control")
  • Technical specifications to avoid double-counting ("quantity control")
  • Institutional arrangements

  sub-paragraphs 46(a)–(e)
Framework for various approaches

- Parties also recognized the need to better understand mechanisms that don’t involve the use of markets
  - Regulation
  - REDD+ activities
  - Grants of finance/technology/capacity
  - Power plant performance standards
  - Vehicle performance standards
  - Carbon taxes
  - R & D
  - Etc…

*paragraph 47*
Overview of work programme

- **25 March**
  - Submission deadline for Parties and observers

- **June**
  - SBSTA 38 (Bonn)

- **November**
  - SBSTA 39 & COP 19 (Warsaw)

- SBSTA to elaborate a framework and to recommend a draft decision for adoption at COP 19
- Expectation of building on work of AWG-LCA, including workshop reports and technical paper by the secretariat
- Secretariat to compile and make publicly available relevant information, experience, and good practice
- Parties could add other elements to the work programme
The new market-based mechanism

• Defined in Durban

• Reflects intent to scale up mitigation and support by considering emissions across broad segments of national economies

• Numerous models have been proposed
  • Some envision a more centralized approach
  • Others envision a more country-led approach subject to common standards and procedures

• Draft modalities and procedures have been submitted though not thoroughly considered by Parties
Possible elements of the new market-based mechanism

- Coverage of broad segments (such as industrial sectors)
- Crediting and/or trading approaches
- Ambitious reference levels, conservative criteria
- Net decrease in emissions
- Reference to avoidance of emissions
- Sustainable development
- Participation by private-sector entities
- Prompt start → recognition of pre-2020 actions?
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The context for 2013

- Demand remains the critical and fundamental variable
- Opportunity to develop an effective suite of tools that are ready for when the world is ready
- Full certainty about ultimate role of framework & NMM isn’t necessary to start elaborating them – especially as this likely won’t be known until the end
- Need to stay focused, technical, and practical
Closing thoughts

• For the framework:
  • Recall universal support for ensuring that all mechanisms meet robust environmental integrity standards
  • Brainstorm models for [assessing][evaluating][considering] whether and how different mechanisms meet these standards
  • Acknowledge the role that non-market mechanisms can play

• For the new market-based mechanism:
  • Build on the experiences and lessons learned from existing mechanisms, including the CDM and JI
  • Leverage existing infrastructure and knowledge – and reflect on the risk of losing them in case of inaction
  • Consider what signals need to be sent to those who can contribute their finance, technology, and capacity
Thank you!

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