



WORLD BANK CLIMATE AND CARBON FINANCE UNIT CARBON PARTNERSHIP FACILITY 2015 ANNUAL MEETING

UPDATE ON REGULATORY ENVIRONMENT AFTER LIMA

Negotiation landscape – fragmented on market mechanisms

	Mandate	Overall outcomes
ADP	Post 2020 agreement	Remains open for market mechanisms
SBSTA	NMM, FVA	No progress
SBI	Review CDM M&P, JI guidelines	Very limited progress
CMP	Annual guidance CDM, JI	Some progress

- ◆ Lima call for climate action
 - Generic procedural 3 page decision
 - No reference to market mechanisms or any other compliance instruments.

- ◆ Elements for a draft negotiating text
 - Annex to Lima call without legal status (working document)
 - Market mechanisms recognized as compliance instruments - supplementary to domestic action (free-standing text).

New Market Mechanism and Framework for Various Approaches

- ◆ No progress made, no agreement on co-chair drafts as working documents, negotiations to resume at SBSTA 42.

- ◆ Two technical input papers from secretariat - messages:
 - Net atmospheric benefit concept not yet substantiated;
 - Implementation of net mitigation best through discounting;
 - NMM as self-standing UNFCCC mechanism (not under FVA);
 - Need for simplicity, objective criteria, standardization and clear separation political oversight and approval processes (lessons from CDM experience).

- ◆ Review CDM modalities and procedures (SBI)
 - No progress, negotiations to resume at SBI 42.
- ◆ CDM Annual guidance decision (CMP)
 - Some pre-2020 CDM reform including EB mandate to consider streamlining of project cycle and PoA procedures.
- ◆ Review JI guidelines
 - Negotiations to resume at SBI 42 based on co-chair note: net mitigation, e.g., through AAU cancellation.
- ◆ JI annual decision
 - ◆ Request Parties to suggest technical options for demonstration of voluntary net mitigation in host countries by March 2015.

Perspectives for CPF Piloting

- ◆ Outcomes in Paris COP uncertain
 - NMM or FVA or both?
 - Continuation of CDM/JI beyond KP2?
 - No agreement/work program on markets at all?

- ◆ New Market Mechanism
 - CPF pilot programs follow principles underlying NMM -
 - Net mitigation, broad segments of the economy.

- ◆ Framework for Various Approaches
 - Bilateral option under a FVA -
 - Design largely left to national/regional authorities.

- ◆ Reformed CDM/JI
 - Increased interest in a reformed post 2020 CDM/JI -
 - Existing methodologies with discounting.

- ◆ Lack of any UNFCCC framework
 - Pure VER approach?
 - Usage of a national standard?