



WORLD BANK CARBON FINANCE UNIT CARBON PARTNERSHIP FACILITY 2013 ANNUAL MEETING

NEW MARKET MECHANISMS (NMM) - REGULATORY UPDATE

- Doha on NMM
- Various views in the submissions on NMM
- WB recommendations
- Concluding remarks

Doha on NMM

- Eligible under KP2 but no major progress on its modalities and procedures
- Prompt start clause
- Increased flexibility in scope; targeting “broad-segments of the economy which “may be on a sectoral and/or project specific basis
- ‘Additionality’ term got introduced
- SBSTA to conduct a work program; draft decisions to be ready for COP19
- Call for input March 25th 2013; WB submitted

Various views in the submissions on NMM



- **On purpose**
 - Unanimous view by all parties: promote enhanced mitigation actions while ensuring cost-effectiveness and supports sustainable development

- **On how to develop**
 - Crediting and trading: country to decide
 - Broad segments of economy: IPCC or country defined
 - High flexibility: suits to local circumstances, capacity and capability of parties
 - Quality & quantity control: net, real, permanent, additional, avoid double counting with robust/simple MRV

- **On framework & governance**
 - Top-down vs bottom-up
 - Guidance and authority of the COP
 - Complement/support NAMA development
 - Use existing infrastructure
 - Learn from Kyoto mechanisms

Various views in the submissions on NMM



- **On implementation**
 - Prompt start; piloting before 2020
 - Follow international rules and procedures; international oversight
 - Baseline setting in relation to current policies and NAMAs
 - Thresholds 'substantially' below 'accurately' determined baseline
 - Adjustment of crediting baseline / trading cap periodically
 - Initial UNFCCC support for tracking units
 - Flexible with respect to who is buying and who is selling

Few commonalities

- Build on experience and lessons learned from Kyoto mechanisms
- Leverage existing infrastructure and knowledge
- Allow flexibility and leave countries to decide
- Centralized authority by COP
- Prompt start and early piloting

WB recommendations in the submission



- Common submission for both NMM and FVA considering their commonalities
- Provide a prospect for emission reductions for compliance from 'prompt start' mitigation actions
- Clarify the overarching principles for prompt start through relevant internationally approved rules and procedures
- Inclusive participation requirements
- Full flexibility in choosing mitigation actions' scopes and scales - incentive schemes at various levels to domestic emissions trading schemes and economy wide instruments
- Support combined use of finance to increase efficiency and help raise the ambition
- No crediting for declining activity levels to safeguard conservativeness

Concluding remarks

- Commonality between FVA and NMM
- Principles are supported; need to see if this leads to a consensus
- Agreeing on international oversight process could be challenging
- Agreeing standards may not necessarily lead to their full adherence (at least in the beginning)
- Prompt start and early piloting would help to build confidence