

COP18 decisions on new market mechanisms -where we move forward-

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Market mechanism discussions under UNFCCC negotiation

AWG-LCA

(Ad Hoc-Working Group on Long-term Cooperative Action under the Convention)

□ Participation from all the Parties incl. USA

□ 5 themes:

- Shared vision, Mitigation, Adaptation, Finance and Technology

□ Market mechanism is discussed under mitigation section

(various approaches & new market based mechanism)

AWG-KP

(Ad Hoc-Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol)

□ Participation from Parties of Kyoto Protocol

□ Rules under the second commitment period

□ Market Mechanisms specifically for CDM, JI, and International Emission Trading (IET) have been discussed.

Framework and New Market Mechanism

A Framework for Various Approaches (para 79, 2/CP17):

- Emphasizes that **various approaches** to promote mitigation actions, must meet **standards:**
 - That deliver real, permanent, additional and verified mitigation outcomes;
 - Avoid double counting of effort;
 - Achieve a net decrease and/or avoidance of GHGs.

A New Market Mechanism (para 83, 2/CP17):

- Defines **a new market-based mechanism**, operating under the guidance and authority of the COP,
 - To enhance the cost-effectiveness of, and to promote, mitigation actions
 - May assist developed countries to meet part of mitigation targets or commitments under the Convention

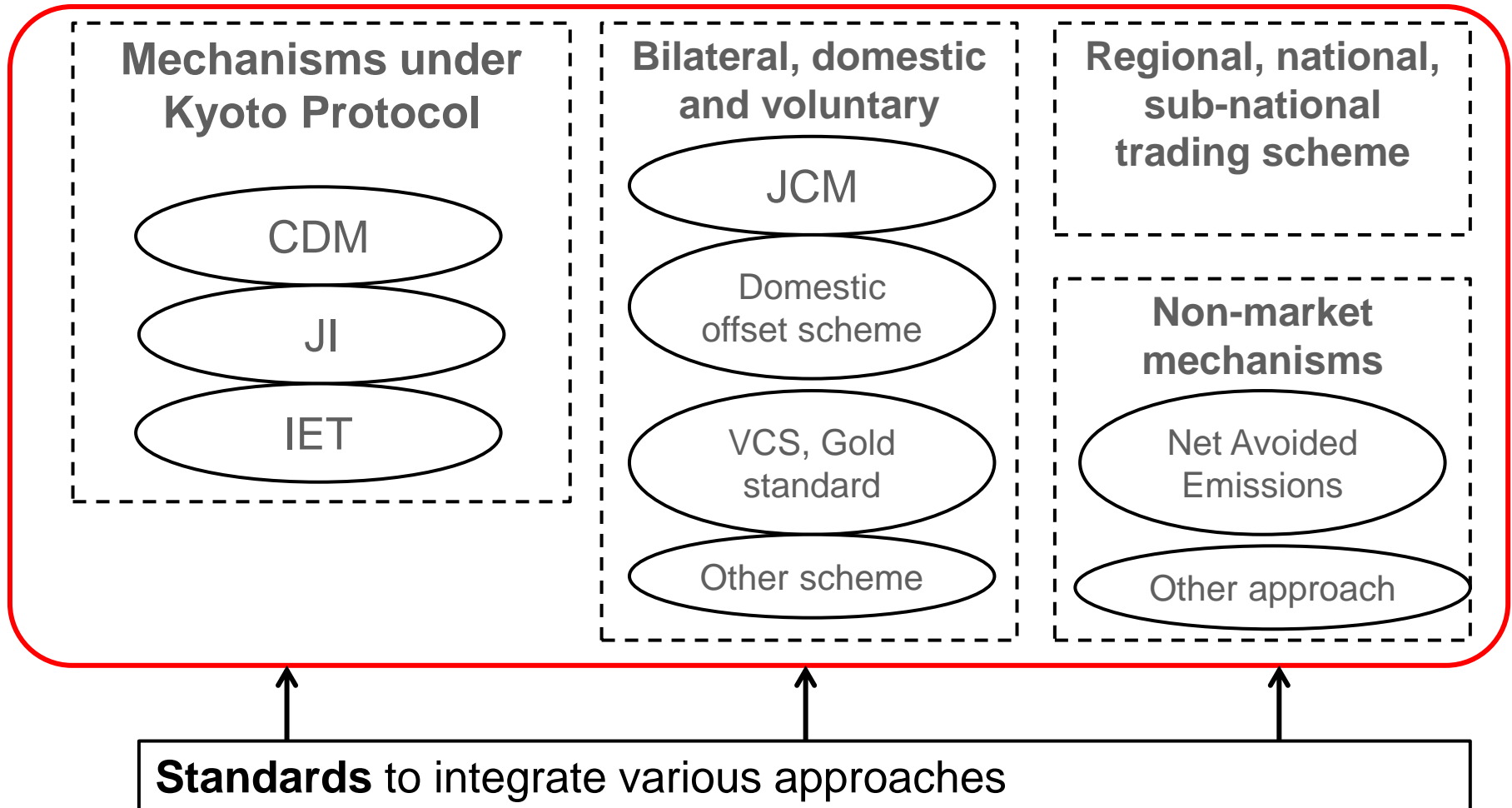
Doha Decisions Clarified More on the Framework

- Framework will be developed under the COP
- SBSTA to conduct a work programme to elaborate a framework for such approaches
- 5 Important elements for the work programme
 - The Purpose
 - Scope
 - Set of criteria and procedures
 - To avoid double counting
 - Institutional arrangement

Framework under the UNFCCC

UNFCCC

Framework for Various Approaches



Work Programme for 2013

◆ Work Programme to elaborate **a Framework for various approaches**

Submission

◆ Invite **views** on information, experience and good practice to design and operation (March 25)

SBSTA

- ◆ Market-based approach
- ◆ Non Market-based approach

◆ Work Programme to elaborate **modalities and procedures for NMM**

Submission

◆ Invite **views** on information, experience and good practice to design and operation (March 25)

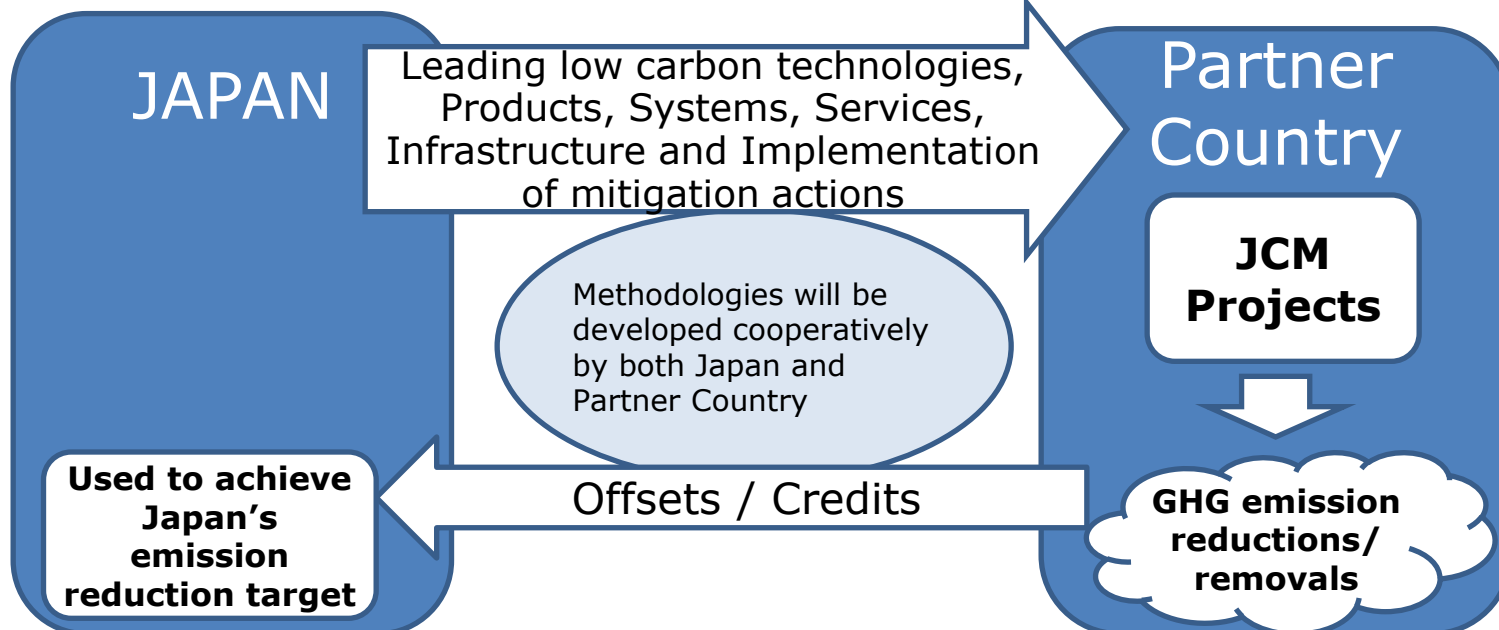
SBSTA

- ◆ Possible elements of the mechanism

Recommending a draft decision for COP19

Purpose of JCM

- ◆ To facilitate diffusion of leading low carbon technologies, products, systems, services, and infrastructure as well as implementation of mitigation actions, and contributing to sustainable development of developing countries.
- ◆ To appropriately evaluate contributions to GHG emission reductions or removals from developed countries in a quantitative manner, through mitigation actions implemented in developing countries and use those emission reductions or removals to achieve emission reduction targets of the developed countries.
- ◆ To contribute to the ultimate objective of the UNFCCC by facilitating global actions for emission reductions or removals.



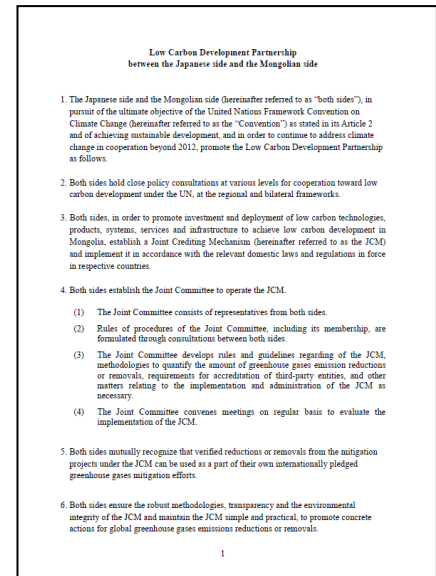
Source:
Ministry of the
Environment
Japan

Agreement bet. Japan and Mongolia

- Japanese government signed an agreement with Mongolian government for the establishment of the Joint Crediting Mechanism (JCM) on 8th January 2013.
- Japan and Mongolia promote the Low Carbon Development Partnership in the pursuit of the ultimate objective of the UNFCCC.
- Both governments hold close policy consultations at various levels for cooperation toward low carbon development under the UN, at the regional and bilateral frameworks.
- Both government establish JCM and implement it in order to promote investment and deployment of low carbon technologies, products, systems, services and infrastructure to achieve low carbon development in Mongolia in accordance with relevant domestic laws and regulations in force in respective countries.



Source: MNET (<http://mne.mn/v3/?p=5276>)



Source: MOEJ
(http://www.env.go.jp/press/file_view.php?seri_al=21291&hou_id=16174)

Establishment of Joint Committee

Institutional arrangement of Joint committee

- Joint committee will be established to operate the JCM. This committee consists of representative from both sides (Japan and Mongolia).
- Rules of procedures of the Joint committee, including its membership, are formulated through consultations between both sides.

Role of Joint committee

- Joint committee will develop rules and guidelines regarding the JCM, methodologies, requirements for accreditation of third-party entities, and other matters.
- Joint committee convenes meetings on regular basis to evaluate the implementation of the JCM.

Implementation of JCM

- Verified reductions or removals from the mitigation projects under the JCM can be used as a part of their own internationally pledged GHG mitigation efforts.
- JCM should be simple and practical to promote concrete actions for global GHG emission reductions or removals.
- Mitigation projects registered under the JCM cannot be used for any other international climate mitigation mechanisms to avoid double counting.
- Both sides work in close cooperation to facilitate financial, technological and capacity building support.
- JCM starts its operation as the non-tradable credit type mechanism.

Future challenges under JCM

- Potential projects should be explored and identified to implement JCM as soon as possible.
- Methodologies for calculating emission reductions, guideline for monitoring and procedures for the implementation should be developed and approved by Joint Committee.
- Financial and technological support should be provided through the bilateral consultation in order to give the incentives to the participants which will be involved under the JCM.
- The secretariat to coordinate the joint committee etc will be established to operate the JCM as soon as possible in the future.

Possible elements to move forward

- Agreement to promote the low carbon development facility
- Agreement to establish the Joint Crediting Mechanism
 - Establishment of Joint Committee
 - ✓ Rule of procedures for Joint committee and membership
 - ✓ Rules and guidelines of JCM
 - ✓ Requirements for accreditation of third-party entities
- Capacity building support for development of methodologies, guidelines for monitoring etc.
- Identification of potential projects that could contribute the emission reductions or removals under the JCM.