



# **New Market Mechanisms & Framework for Various Approaches: Luxury or Necessity?**

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Principles of environmental integrity

Comments on LCA overview text

# Real, permanent, additional and verified emissions reductions

There is a need for trust and credibility that 'a tonne is a tonne' in order to safeguard environmental integrity

Accounting rules must, inter alia, be guided by following principles:

- **Accuracy:** GHG emissions must be measured and continuously monitored and verified to ensure they are as accurate as possible;
- **Completeness:** GHG emissions data must include all relevant sources;
- **Reliability:** Baselines must be set using verified data;
- **Conservativeness:** Baselines must be set to achieve net-atmospheric benefits. E.g. uncertainty about the reliability, completeness or accuracy of data must be compensated with conservative baseline setting.

# Prevent double counting

Double counting of both, emissions reduction AND financial assistance must be avoided, inter alia by:

- The use of a **common international transaction tracking mechanism** for all offsets counted towards pledge attainment, with assignment of unique serial numbers to each ton transacted or registered;
- **Clear and specific rules regarding the complementary relationship** between CDM, NMM and other regional trading mechanisms to ensure that there is no double counting.
- **A system to track various types of emission reduction activities and reduction.** Such a registry should not be limited to CDM and mechanisms covered under the Framework but also include non-market based activities and NAMAs.
- **Rules to ensure that offsets are only counted by the buyer and not by the seller.**

# Secure net atmospheric benefits

Durban Decision states “that various approaches.. must meet standards that achieve a net decrease and/or avoidance of GHG emissions”.

Specifics are needed on how the benefits can be **defined, monitored and verified**, inter alia through:

- Setting crediting baselines at levels **below business-as-usual baselines**
- **Discounting** (e.g. issuing systematically fewer credits from projects/activities with business-as-usual baselines)
- **Exclude types** of projects/action where net **benefits are unlikely**
- Exclude types of projects/action that perpetuate high carbon fuel uses and high GHG emitting practices

➤ **Atmospheric net benefits means global net benefits!**

# Deliver Sustainable Development

Preamble of section III D Decision 1/CP.16: NMM need to contribute to sustainable development

- Need for **international standards** and guidance on indicators that **define mitigation actions** that support sustainable development;
- Defined mitigation actions should be limited to **clean, safe, sustainable, efficient and non-fossil fuel based technologies**;
- Social and environmental **safeguards** for national authorities are needed;
- Associated **reporting and verification standards** to monitor and verify claims to ensure actual realization of the stated sustainability benefits;
- A framework must ensure that all internationally traded credits come from activities that uphold **human rights**.

# International Common Framework

- Both, **FVA and NMM** must guarantee the same set of int. **key principles**
- **Int. eligibility criteria** for mechanisms, activities and/or sectors, review and exclusion options of mitigation actions and mechanisms
- **Int. standardised principles** and guidelines for baseline and monitoring methodologies, validation and verification procedures, and MRV in developing countries
- Evidence through **documented analysis**, that mechanisms are rigorous and conservative
- International **oversight to prevent double counting** among NAMAs, offsets and financial support, e.g. international standards for integrating existing CDM projects into the BAU baseline calculations for NAMAs
- International **review** of proposed crediting baselines and MRV
- **Associated MRV requirements** in the developing country

# Comments on LCA text (1)



- Objective of FVA still **lacks definition** (framework for trading carbon credits internationally for compliance?)
- Unclear whether **units under FVA** can be **used for compliance** and referred to report on the achievements of pledges;
- Unclear why text does not provide **consistency of standards** between FVA and NMM
- No reference of a **transparent international common accounting** framework for FVA
- No reference of **approval, review and exclusion process** for mechanisms, activities and/or sectors
- Proposed standards on double counting do not address **financial double counting**



# Comments on LCA text (2)



- Standards that achieve a net decrease and/or avoidance of greenhouse gas emissions, as proposed in para 2(c) must ensure **net atmospheric benefits globally**
- **Para 17 is confusing** because it states that the NMM shall “*govern all transfers of mitigation outcomes, such as through the creation and move of units representing mitigation outcomes between Parties*” - ?;
- **Key principles of environmental integrity** in para 12, such as MRV requirements, reference levels, establishment of an effective tracking mechanism, transaction logs and registries are **not defined as standards**; text only provides a request to SBSTA to provide guidance and information on best practices;
- **International oversight not provided** because para 12 (e) suggests that SBSTA shall recommend guidance for countries to elaborate national criteria to develop legal and regulatory frameworks;

# Conclusion



- Devil lies in the detail
- Important to agree on role of FVA and NMM first
- Consideration whether both, FVA and NMM is still necessary is relevant
- Consistency of standards is essential; hence not clear why NMM cannot be placed under FVA
- Key principles of environmental integrity cannot be compromised

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