



Carbon Market Provisions Draft Agreement for COP 21

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Overview

Paris Agreement will

- Address international transfer of mitigation outcome
- Not create markets
- Create conditions for the emergence of an international market for compliance with NDCs
- Not create a global price of carbon
- Allow for a future convergence of carbon prices

What needs to be in the Agreement?

- The Agreement, *one way or another*, should ensure that a number of Functions can be delivered
 1. Be able to transfer mitigation units or mitigation outcomes **AND**
 2. Be able to count these transfers towards meeting commitments under the NDCs
 3. There are rules that ensure proper accounting, including the avoidance of double counting
 4. Have the ability to create protocol(s)/mechanism(s) that may be used by Parties to create reduction units (e.g. CDM)

Levels of granularity

- General level –
 - Blessing/legitimacy of international cooperative approaches.
 - Already present in UNFCCC
 - Better in a more general side of the Agreement to cover all cooperative approaches
- Type/form of cooperation
 - Mechanisms
 - Transfers
- Define/establish mechanisms in more detail
 - CDM+
 - Mitigation/Adaptation
 - REDD+

Agreement text

- **Article 9, Option 3(b)(v)**
 - Indirect recognition of transferability
 - Ability to account
 - No specific permission
 - Mention double counting (no problem)
 - Mentions supplementarity (questionable by some)
- **Article 16, Cooperative Approaches**
 - Chapeau, could fit for all cooperative approaches
 - Option 1: general, could be enough, but it is not enough
 - Option 2:
 - Provides general coverage
 - Different levels of detail
 - Provisions that narrow the scope of cooperation

Agreement text

- Option 3
 - Legitimizes cooperation at levels other than Party
 - Better off in a declaratory rather than operational part of the Agreement

- **Article 3biss REDD+**
 - Established a REDD+ mechanism
 - Can be seen as two objectives
 - Objective 1: Provide for a REDD+ mechanism
 - Objective 2: Create a REDD+ space in markets
 - Objective 1 requires 3bis
 - Objective 2 can be covered through 3ter

Agreement text

- **Article 3ter**
 - Option 1
 - Inclusive – general enough
 - Established a mechanism
 - One mechanism ?
 - Sustainable development definition?
 - Work plan in the Agreement?
 - Own contribution ? – no definition, a KP left over
 - Option 2
 - One mechanism?
 - WP at first CMA session
 - Reference to Article 12 of KP – too close identification to KP
 - Voluntary net mitigation ?
 - Option 3
 - Introduces NMM

Agreement text

- Option 4
 - 3ter in a non market light
 - Absent (a) to (d) would qualify under Option 1
- Article 6: Finance
 - Option II, Article 7: carbon pricing (confusing, not an Agreement provision)
- Article 19:
 - International transferability of mitigation outcomes – needed, not the right place

Decision text

- Article 34
 - Option 1: refers to a multi-window mechanism
 - Can the establishment of the SD mechanism be in the Decision text ?

What next?

- Parties are not far part on what is needed, except those that do not want any provision
- What are the consequences of no provisions?
- Business signals that provisions provide for certainty of value and stability
- No need for direct market reference
- Need for recognition of
 - International cooperation
 - International transfers
 - Central mechanism
- Establishment of specific mechanisms?
- Balance between specificity and generality



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