What’s Important for Africa?
Framework for Various Approaches
New Market Mechanisms
Market Mechanisms Post 2020
Learning Phase in Warsaw

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Forum

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• What does the post 2020 world look like?
  – Commitments/pledges by Parties
    • They may be different in nature
      – Economy wide
      – Sectoral
      – Actions
  – They will be met through
    • Internal measures captured through inventories
    • International units that will have to meet some basic criteria
  – There will be no AAUs to ensure accounting
• International units will be produced by
  – UNFCCC defined mechanisms (NMM)
  – Domestic mechanisms – units will meet “Core Criteria” to be used for UNFCCC compliance

• Parties will use a “MENU” of mechanisms based on
  – Their preference
  – Their capacity to implement
  – Type of commitment
  – ??????
FVA

• The FVA is a set of components and rules that will ensure that all units resulting from approaches used for mitigation will be integrated, and receive recognition for UNFCCC compliance.

• Through the FVA, units created by a DMM in a jurisdiction will qualify, under certain conditions, to be used for compliance with UNFCCC obligations, by a jurisdiction other than the one under which they were created.

• The FVA is not concerned with activities that are purely of a domestic nature and do not result in international transfers of units in one way or another.

• The FVA will allow for the accounting of units transferred internationally when used for compliance with UNFCCC obligations.
THE FVA IS AT THE HEART OF THE POST 2020 AGREEMENT
**FVA & NMM**

Assumption: A global agreement & UNFCCC compliance
FVA: Objectives, Scope, Components & Functions

• Integrate national and international units for UNFCCC compliance
• Under the authority of the COP
• Market & non-market approaches/crediting and trading
• Ensure environmental integrity of units used for UNFCCC compliance.
• That accounting can be done - not an FVA objective or function.
• There is no double-counting
FVA: Objectives, Scope, Components & Functions

Components

• Mitigation Unit Description Document
• Mitigation Unit Core Characteristics/Standards for Environmental Integrity (SEI) – MUST HAVE
• Mitigation UN
• International Transaction Log (ITL) - MUST HAVE
• Regulator – Governance
• FVA Unit Accession Protocol – MUST HAVE
• National Registries (NR) – MUST HAVE
• Environmental exchange – Private sector?
What is important for Africa in mechanisms?

• Ensure that it has access to any mechanisms it wants to use
  – *What mechanisms you use are your choice*

• Ensure that an international crediting mechanism (successor to CDM+JI)
  – *Is available*
  – *Its products have access to markets*
  – *It is competitive with other mechanisms*
    • *Environmentally credible*
    • *Business friendly*
  – *Provides incentives to host country*
CDM needs to

- Be reviewed and restructured into an International Crediting Mechanism
- Become post 2020 a NMM that can be used by all countries

• Right now CDM offers very limited market access
• Ensure that the FVA become operational asap in order to access all markets for African reductions from locally developed mitigation approaches (what is a NAMA, what is a market approach?)
  • Markets
  • Non markets
• The FVA
  – Will be new
  – Will be complex
  – Will require capacity building
  – Will need to be developed based on experiences that need the realities on the ground
  – Will require time to become operational
Mandate for a Testing Phase at the Warsaw COP

• TEST THE FVA NOT DOMESTIC MITIGATION APPROACHES

• Why?
  – Will allow to design the FVA components
  – Test FVA components
  – Incentivize new mitigation approaches that can attract carbon finance – Carbon Forum Africa will be about the FUTURE MARKETS
**Testing Phase at the Warsaw COP**

- Agree on FVA objective
- Agree on Mitigation Unit Core Characteristics
- Agree on Mitigation Unit Description Document
- Agree to launch an International Registry for those that don’t have one and want to use it
- Agree to allow the ITL to make transfers of units produced once operational
• Do not engage in negotiations on
  – How units accede to the FVA - all units that are declared can accede
  – If there is an APPROVAL FUNCTION in the FVA it can be decided as part of the ADP deal
  – Whether units are used pre and/or post 2020
    • Parties will use them as they see fit
DMM Accession to FVA: three tracks

– T0: if the domestic mechanism is a NMM (UNFCCC defined)
– T1: Approval Track
– T2: Transparency (“show and tell”)
Checks double counting of NA/NC & UNFCCC units

Party instructions
- Party of origin
- Mechanism
- Track 1-2

Parties with EWC
Governance

– Global level
– Local level (regional, national, sub national)

• Global Level
  – Define Standard for Environmental Integrity
  – Accession to the FVA - review DMMs/UNITS according to the SEI
  – Initial check
  – Periodical audit
• Global Level
  – Market Regulatory Board
  – Compliance Body
  – Transfer units internationally
  – Tracking units internationally
  – Environmental exchange rate setter
  – Issuance of ICUs.
Local Level

– Avoid double counting.
– Issuance of DMM Units
– Develop DMM
– Operate DMM