We need New Market Mechanisms (NMM) in addition to CDM

◆ The CDM has created many opportunities for the mitigation projects in developing country.
◆ We see more potential in the CDM and the reform of the CDM is necessary in order to enhance efficiency of the system and maximize its potential.
◆ However, we also need to recognize that there are more opportunities that the CDM has not tapped.
◆ E.g. Domestic emission trading, offset scheme, policy-based mitigation activities (low carbon development policy), etc.
Elements of New Market Mechanisms (NMMs)

◆ Principles
- International Framework to support market mechanisms
- Differentiation of accounting system from KP system
- More flexibility for the design of the system

◆ Governance
- Establish “Market Mechanisms Committee” under COP
- Develop robust MRV guideline
- Certify emission reductions (not the issuance of credit)
- Manage international accounting

◆ Robust MRV
- MRV guideline
- Third party GHG validation/verification (DOE, ISO14065)

Governance and Accounting

UNFCCC

CDM EB

Market Mechanisms Committee (MMC)

Int’l Accounting system

MRV Guideline

Annex-I

National Accounting system for NMM
Finance, CB, Tech.

Non Annex-I

National Accounting system for NMM
NAMA, Sectoral, Project
What is the Guideline for MRV?

CDM < MRV Guideline for NMM < ISO14065

Guidelines are designed to achieve a uniform approach to compliance with the applicable standards or procedures issued by the CMP and/or the EB. (EB53 Annex 38)

CDM-PDD
A. General description
B. Baseline/Monitoring
C. Crediting period
D. Environmental impacts
E. Stakeholder

MRV Guideline
- Boundary
- Category (NAMA, Sectoral, etc)
- Reference scenario/emission
- Monitoring

ISO14065
- Boundary
- GHG source
- Baseline scenario
- ER calculation
- Monitoring

Possible scenarios for Market Mechanism?

Scenarios 1
AWG-KP

AAUs + CDM+JI+IET

Scenarios 2
AWG-KP + AWG-LCA

AAUs + Pledge & Review
CDM+JI+IET
New Market Mechanisms

Scenarios 3
AWG-LCA

Pledge & Review + New Market Mechanisms (Including CDM)

◆ CDM could be utilized under any scenarios
◆ New market mechanisms should compete with CDM
The objective of new market mechanisms (NMMs) is to recognize various approaches for ERs activities in developing countries and promoting them through certification.

NMMs should help developing countries to achieve low carbon development while utilizing market-based approach domestically.

Since it is early stage, we need to develop and robust MRV guideline and pilot test NMMs in order to show the effectiveness of the mechanism.