

Governance of the Framework for Various Approaches

OECD CCXG
Paris, March 19, 2013

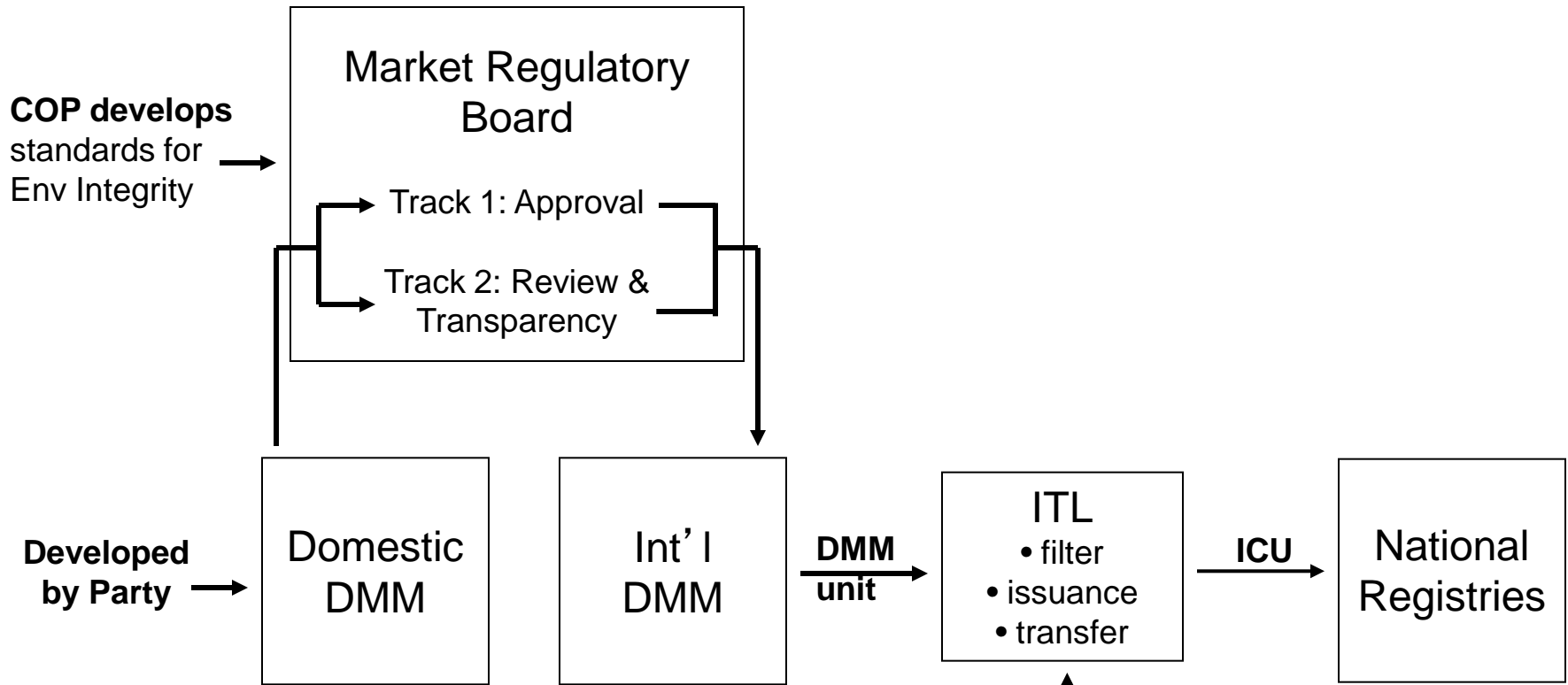
Andrei Marcu
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Forum

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

CEPS Doha Side event
Doha, November 27, 2012

Andrei Marcu
Head, CEPS Carbon Market



DMM – Domestic Market Mechanism
 ICU – International Compliance Unit

Party instructions

- Party of origin
- Mechanism
- Track 1-2

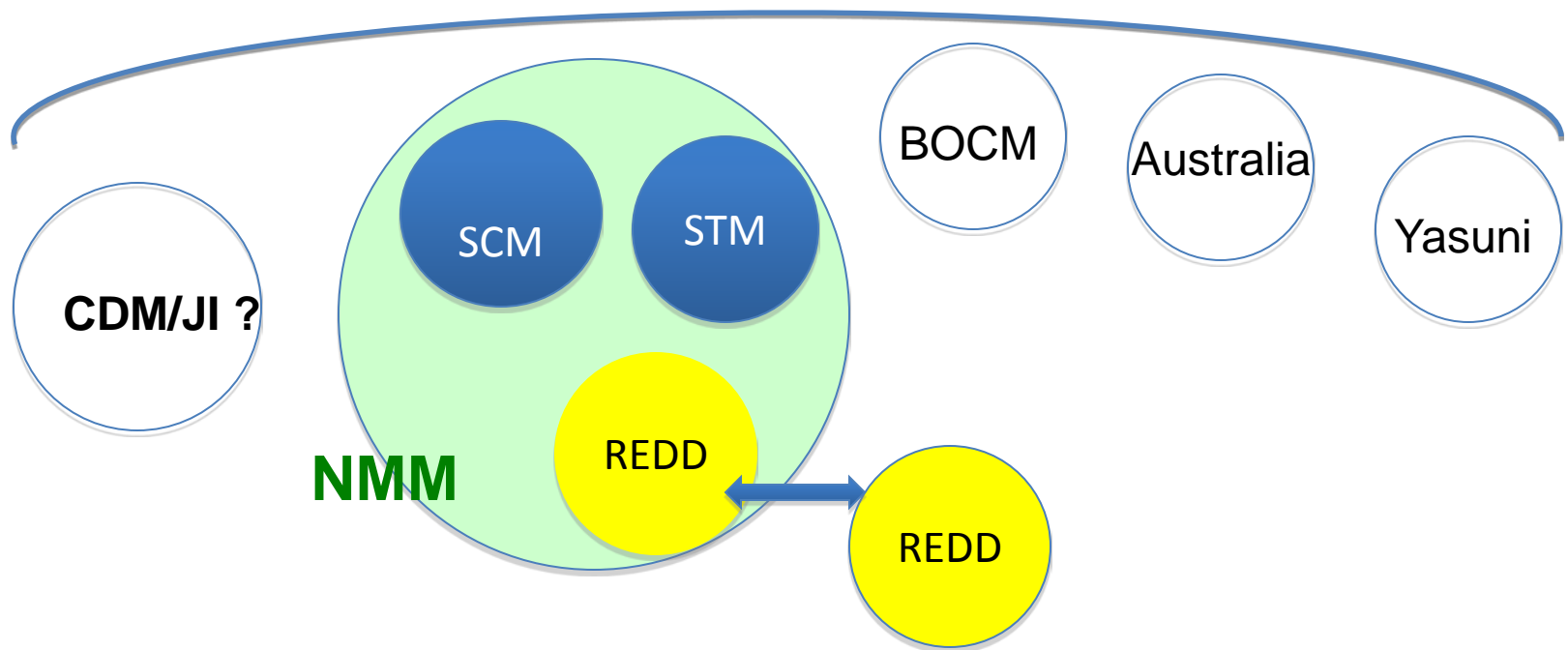
FVA

- The FVA is a set of components and rules that will ensure that all 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.

FVA & NMM

Assumption: A global agreement & UNFCCC directed compliance

FVA



FVA: Objectives, Scope, Components & Functions

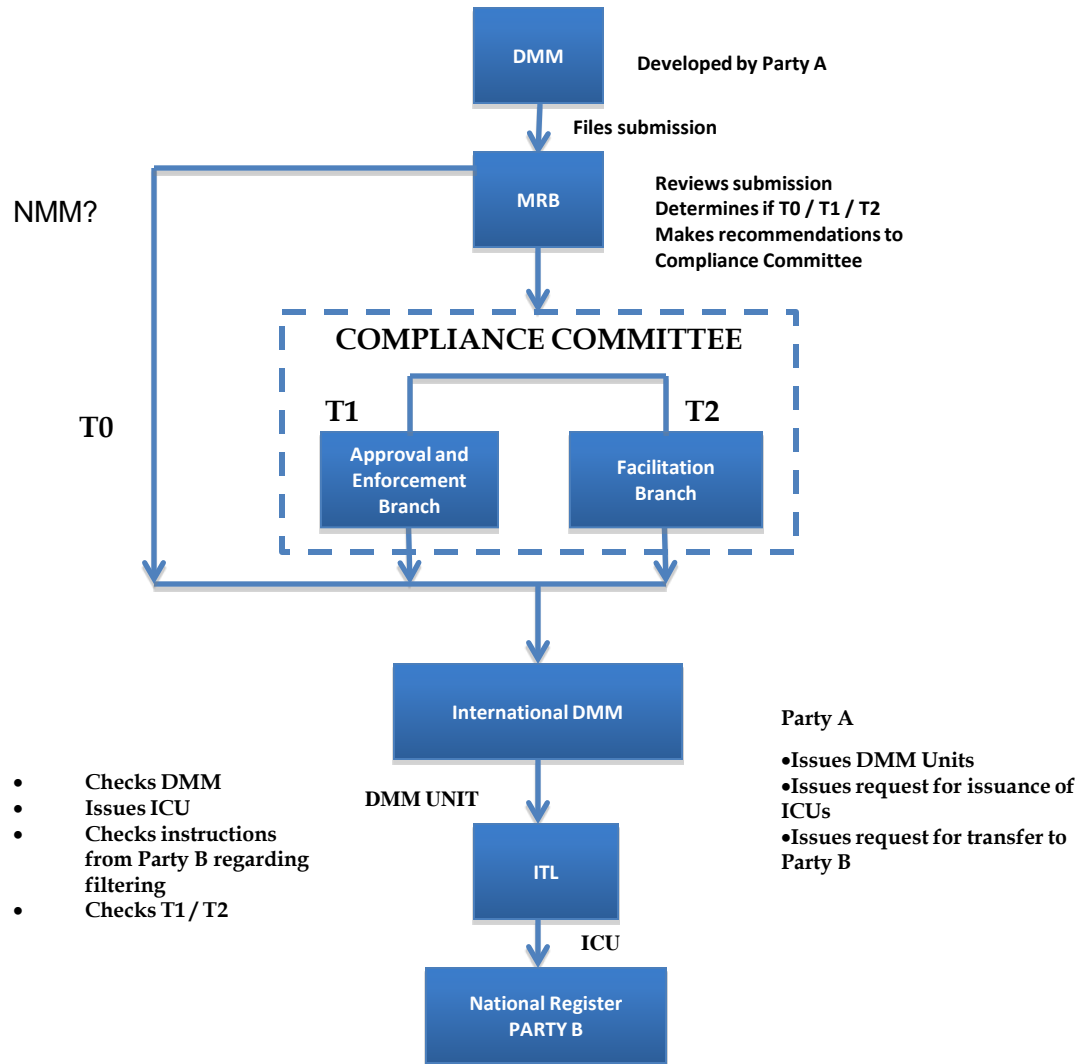
- Integrate national and international units for UNFCCC compliance
- Under the authority of the COP
- Market & non-market approaches/crediting and trading
- Ensure environmental integrity of units used for UNFCCC compliance. There is no definition of environmental integrity.
- That accounting can be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

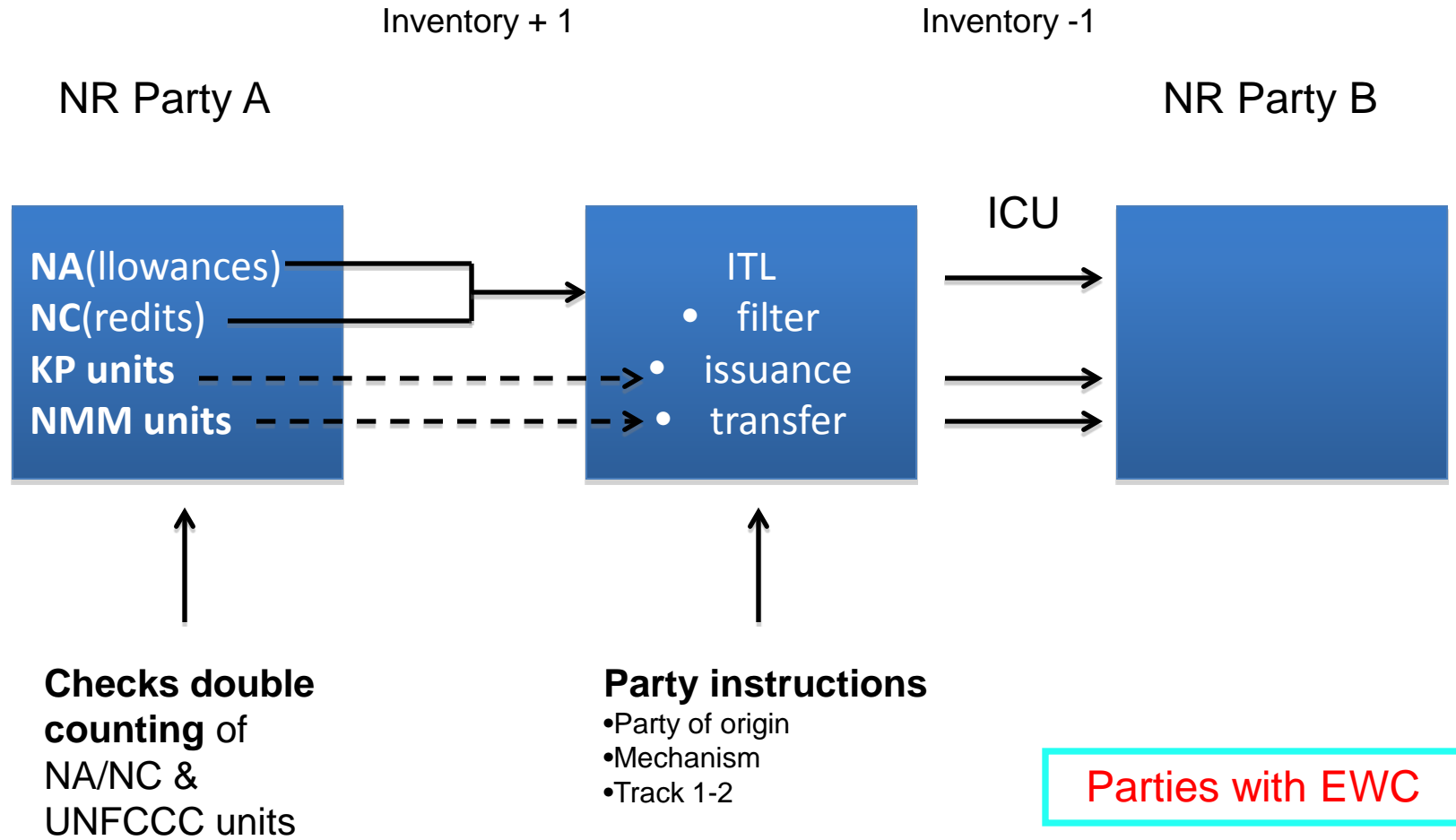
FVA: Objectives, Scope, Components & Functions

Components

- International Compliance Unit (ICU)
- Standards for Environmental Integrity (SEI)
- International Transaction Log (ITL)
- Market Regulatory Board (MRB)
- National Registries (NR)
- Environmental exchange

- DMM Accession to FVA: three tracks
 - T0: if the domestic mechanism is a NMM (UNFCCC defined)
 - T1: Approval Track
 - T2: Transparency (“show and tell”)





- Local Level
 - Avoid double counting.
 - Issuance of DMM Units
 - Develop DMM
 - Operate DMM

- Global Level
 - Market Regulatory Board
 - Compliance Body
 - Transfer units internationally
 - Tracking units internationally
 - Environmental exchange rate setter
 - Issuance of ICUs.

- Governance
 - Global level
 - Local level (regional, national, sub national)
- Global Level
 - Define Standard for Environmental Integrity
 - Accession to the FVA - review DMMs according to the SEI
 - Initial check
 - Periodical audit

- Pilot phase FVA/NMM: incoming Polish Presidency
 - Starting at COP 19
 - FVA
 - Transparency Phase: “show and tell”
 - Peer review
 - No interference from UNFCCC in domestic mechanisms
 - Incentive to bring mechs to UNFCCC
 - Crediting possible
 - NMM
 - Design M&P
 - Start operating NMM voluntarily
 - Possible to receive crediting