

International Market Architecture for Paris

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Climate Challenges, Market Solutions

Remember this?

Article 12 (*of the Kyoto Protocol*)

1. A clean development mechanism is hereby defined.
2. The purpose of the clean development mechanism shall be to assist Parties not included in Annex I in achieving sustainable development and in contributing to the ultimate objective of the Convention, and to assist Parties included in Annex I in achieving compliance with their quantified emission limitation and reduction commitments under Article 3.



What has the CDM delivered?

Infrastructure and Governance

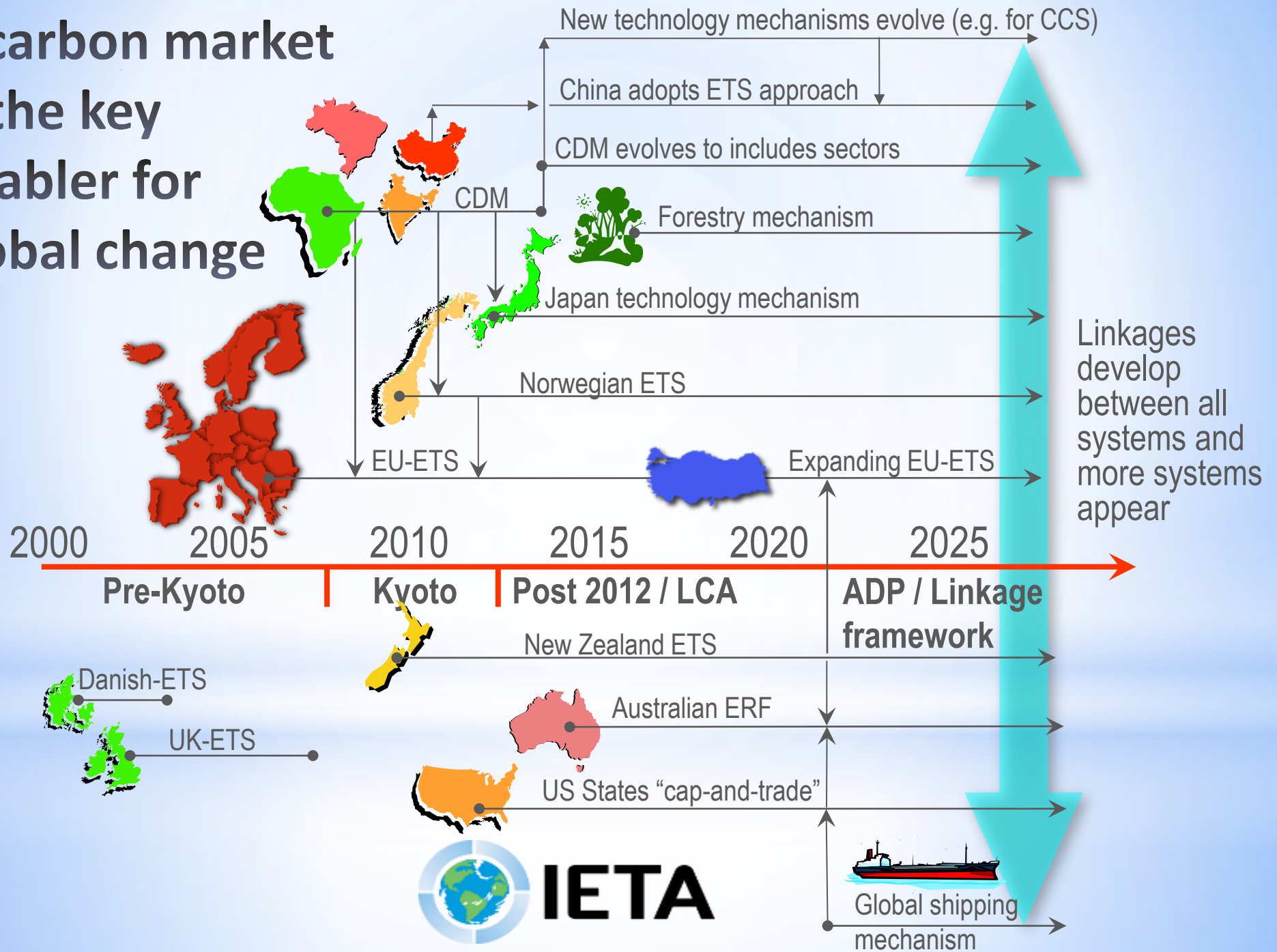
- A functional, self-financed, multi-billion euro market
- 200 active methodologies
- Internationally accepted standard for measuring, reporting and verifying (MRV) emission reductions

Mobilization and Funding

- \$315 billion of new funding for low--carbon activities (UNFCCC 2014)
- Even relatively small amounts of CER revenue can mobilize large amounts of further private finance for mitigation



A carbon market is the key enabler for global change

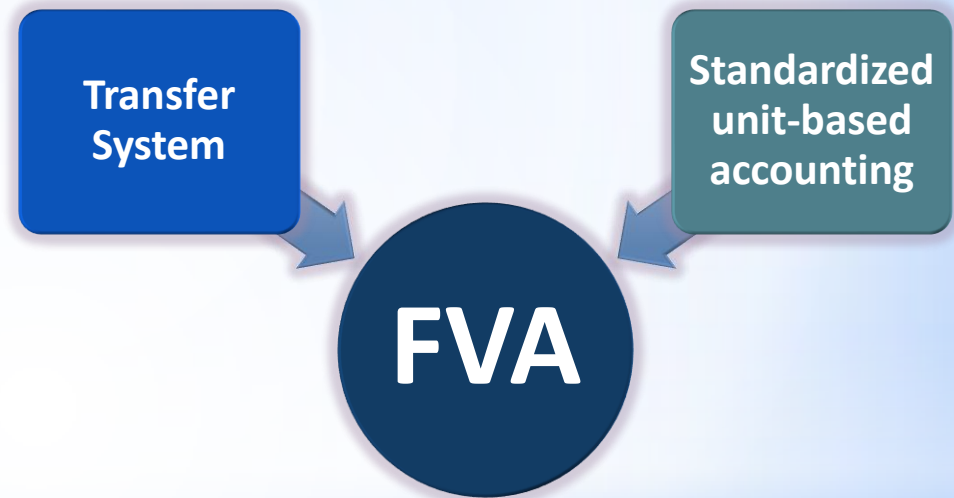


The Future: IETA views on FVA and NMM

*IETA proposes a **transformational shift** to a global carbon market ...*

*Supported by an FVA that includes an **international transfer system** with **standardized unit-based accounting**, built on the NMM.*

*This enables consolidation of the CDM/JI into a **unified crediting mechanism** for interested parties*



Upcoming submission on FVA

- The FVA should encourage INDC's that take action at scale.
- The FVA should support ambitious INDC's by:
 - a. Establishing **common standards** for unit-based national accounting.
 - b. Providing a **standardized international transfer system** that encourages international mitigation cooperation.
 - c. Offering **optional mitigation infrastructure** for Parties to use as part of their INDC's.

Upcoming submission on NMM

- NMM should function within the FVA to offer a **unified carbon accounting unit** for linked systems
- Unit generated by domestic mitigation approaches and branded for international compliance
- Operates in a world of bottom up pledges
 - Nationally designed trading systems, and
 - NAMAs / INDCs that seek trading recognition.

Towards large operational, global markets...

1. **Infrastructure** for Parties to form unified compliance pools
2. **Transfer function** assured through FVA enabling mutual recognition of units for countries in the pool
3. **Integrates best elements** of CDM/JI programmes into a unified international crediting mechanism that replaces additionality tests via—
 - a. A performance reserve
 - b. Standardized performance benchmarks



The Paris Agreement

- May well be quite short;
- Probably more outline than substance;
- Big picture items only;
(but what could be bigger than a global carbon market)
- Plenty of COP decisions later;
- Each idea or concept gets just a few lines.
- Markets and carbon pricing are still struggling to gain global acceptance

So how do we create the essence of a global market?



Just a few lines to create a global carbon market

Cooperation between Parties in realizing their Contributions

1. Parties may voluntarily cooperate in achieving their mitigation contributions, [which may improve cost effectiveness and bolster ambition].
2. A unified international transfer system is hereby established.
 - a. A Party, may transfer portions of its defined national contribution to one or more other Parties through carbon units of its choice.
 - b. Transfers and receipts of units shall be recorded in equivalent carbon reduction terms [in the international transaction log and be included in national reports as contributions delivered by the receiving Party and as transfers from the transferring Party].



The “bare bones” version – 5 lines

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Input welcome – an idea in development

Cooperation between Parties in realizing their Contributions

1. Parties may voluntarily cooperate in achieving their mitigation contributions.
2. A unified international transfer system is hereby established.
 - a. A Party, [though private and/or public entities,] may transfer portions of its defined national contribution to one or more other Parties through carbon units of its choice.
 - b. Transfers and receipts of units shall be recorded in equivalent carbon reduction terms.



Thank you

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