



What can we expect from COP 21?

IEA/IETA/EPRI Annual Workshop
September 30, 2015

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Markets in 2015 Agreement

- What is needed in Paris ?
- What can be expected from Paris ?

International markets today and tomorrow

- KP has catalyzed international markets
 - Domestic: EU ETS
 - International: CDM, JI, AAU
- KP has a centralized governance and a strong influence on GHG Markets 1.0
- Paris is emerging as a decentralized governance

International markets today and tomorrow

- Will Paris Agreement have as much influence on GHG Markets 2.0?
- What is Paris profiling as ? – what does it promise to bring?
 - A set of commitments
 - A transparency framework
 - A facilitative process
 - An accounting system
 - How it keeps track of transfers
 - What it accounts for – does it include tests for quality

International markets today and tomorrow

- Development of international GHG markets can take different directions
 - UNFCCC framework
 - Snowball
 - Docking station
 - Clusters/Clubs
- Two different models
 - Linked carbon markets: negotiate differences
 - Networked carbon market: recognize differences

International markets today and tomorrow

Role of UNFCCC

- Create a framework for using international transfers for UNFCCC compliance
- Provide infrastructure for resilience and confidence in international transactions/transfers
- Started ambitious under SBSTA – FVA/NMM/NMA
- As Paris Agreement starts to take shape: political reality vs. UNFCCC role vs. market functioning

What is needed from COP 21?

In the Agreement

- Must contain the foundation that will provide stability and a shield from political winds
- Must contain provisions that are inclusive and do not close doors
- Provide signal for political support
- Clarity that international transfers are to be counted for INDC compliance

What is needed from COP 21

In the Decision

- Aspects that may need to be revised and reviewed
- Some indication/boundary on how transfers/accounting/differentiation relate to each other. This will built confidence
- What happens to CDM & JI and their output

What can be expected from COP21?

Agreement

- Soft signal on transfers in the Agreement. Softest is that Parties can work together/cooperate. It is enough **but it is not enough**. Shows lack of priority and priority
- Preferable some reference to the accounting system and boundaries

What can be expected from COP21?

Decision

- Areas that are not to be changed due to political pressure or changes
- Sep up central crediting mechanisms for international cooperation. Setting up ONE may create trouble as others may feel left out (e.g. CDM+, REDD+)
- Participation of non state actors
- Explain terms that are undefined – net mitigation ?

What can be expected from COP21?

Decision

- Define boundaries for accounting to allow Parties to understand what they are jumping into with the WP- treatment of sectors that are under INDC or not
- Must clarify future of CDM/JI
- Work program to define
 - Accounting
 - Central mechanism

HOW ?

Agreement text

- *Mitigation outcomes that are transferred between Parties to this agreement can be counted towards meeting the commitments contained in NDCs submitted by those participating Parties, in accordance with accounting rules to be developed by the Governing Body. Accounting rules shall ensure environmental integrity, including avoidance of double counting.*
- *The Governing Body of this agreement [will][may] define mechanisms applying a baseline/reference level to produce mitigation outcomes that are real, additional, verifiable, and permanent, that can be used to meet NDCs commitments. These mechanisms shall be under the authority of the Governing Body. [OR IN DECISION if it establishes]*

Decision text

- *A CDM+REDD+/xxx mechanism(s) is hereby defined*
- *Work program to define modalities and procedures for the mechanisms defined*
- *A work program to define accounting procedures and processes to account for transfer between Parties*
- *A work program to define concepts, including net mitigation, which is not understood and defined, etc.*