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Market and non-market mechanisms under the Convention

New market-based mechanism

**Report on the workshop on the new market-based
mechanism**

Note by the secretariat

Summary

This report contains information on the outcomes of the workshop on the new market-based mechanism that was held on 8 October 2013 in Bonn, Germany, in conjunction with the workshop on non-market-based approaches and the workshop on the framework for various approaches. It contains summaries of the presentations made and the outcomes of the discussions that took place at the workshop. The workshop addressed the questions proposed by the Subsidiary Body for Scientific and Technological Advice at its thirty-eighth session, which were intended to clarify the role and technical design of the new market-based mechanism with the aim of facilitating further consideration and identifying further steps towards fulfilling, at the nineteenth session of the Conference of the Parties (COP), the mandate given at COP 18. Participants engaged in a rich exchange of views, shared ideas, experiences and lessons learned in relation to relevant issues and expressed views on the way forward at the United Nations Climate Change Conference to be held in Warsaw, Poland. Parties may wish to use the information contained in this report to assist them in elaborating modalities and procedures for the new market-based mechanism, with a view to recommending a decision to COP 19 for adoption and consideration.

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I. Introduction

A. Mandate

1. The Conference of the Parties (COP), at its eighteenth session, requested¹ the Subsidiary Body for Scientific and Technological Advice (SBSTA) to conduct a work programme to elaborate modalities and procedures for the new market-based mechanism, with a view to recommending a draft decision for consideration and adoption at COP 19. A number of elements to be considered as part of the work programme were also agreed at COP 18.²

2. SBSTA 38 initiated the work programme and requested the secretariat to organize a workshop prior to SBSTA 39, while ensuring broad participation of developing and developed countries.³ The aim of the workshop was to advance work towards fulfilling the mandate provided in decision 1/CP.18, paragraph 50 - 53, by considering, inter alia, the set of questions listed in paragraphs 173 and 174 of the SBSTA report⁴, the submissions of Parties and admitted observer organisations which had to be made by 2 September 2013⁵ and the technical synthesis of relevant materials,⁶ including the submissions previously mentioned.

3. SBSTA 38 further requested the secretariat to prepare a report on the outcome of the workshop and to make it available for consideration at SBSTA 39.⁷

B. Scope of the note

4. This document describes and summarizes the above-mentioned workshop, drawing upon the presentations and discussions that took place. It contains a description of the proceedings of the workshop (chapter II) and a summary of the key issues addressed at the workshop based on the questions related to the role and technical design of the new market-based mechanism (chapter III). Chapter IV provides a summary of the joint closing session of the three workshops where participants engaged in a discussion on the expectations for the United Nations Climate Change Conference to be held in Warsaw, Poland, regarding the framework for various approaches, non-market-based approaches and the new market-based mechanism.

5. This document does not reflect the views of all Parties, as not all Parties attended the workshop.

C. Possible action by the Subsidiary Body for Scientific and Technological Advice

6. SBSTA 39 may wish to include this report in its consideration of the work programme to elaborate the modalities and procedures for the new market-based

¹ Decision 1/CP.18, paragraphs 50–53.

² Decision 1/CP.18, paragraph 51.

³ FCCC/SBSTA/2013/3, paragraph 158(c).

⁴ SBSTA/2013/3.

⁵ FCCC/SBSTA/2013/3, paragraph 158(a).

⁶ FCCC/SBSTA/2013/3, paragraph 158(b).

⁷ FCCC/SBSTA/2013/3, paragraph 175(c).

mechanism, with a view to recommending a draft decision for consideration and adoption at COP 19.

II. Proceedings

7. The workshop on the new market-based mechanism was held in conjunction with the workshop on non-market-based approaches and the workshop on the framework for various approaches in Bonn, Germany, from 7 to 9 October 2013.

8. The workshops were attended by 119 representatives from 69 Parties not included in Annex I to the Convention, 19 Parties included in Annex I to the Convention, 3 intergovernmental organizations and 10 admitted observer organisations. Financial support was provided by the European Commission, New Zealand, Norway, Switzerland and the United Kingdom of Great Britain and Northern Ireland. Information on the workshops, including background documents and presentations, is available on the UNFCCC website.⁸

9. The workshops were opened jointly by Mr. Richard Muyungi, the SBSTA Chair, Ms. Christiana Figueres, the Executive Secretary of the UNFCCC, and Mr. Tomasz Chruszczow, a representative of the incoming COP 19/CMP 9 Presidency.⁹

10. In her opening remarks, Ms. Figueres expressed her gratitude to the countries that provided financial support for the workshop, which allowed the secretariat to issue invitations to all Parties eligible for funding and ensured broad participation as requested by SBSTA 38. She highlighted the recently released report of the Intergovernmental Panel on Climate Change (IPCC) that confirmed the need for countries to accelerate their mitigation efforts to avoid paying the highest costs for adaptation. She invited the participants to make progress on both market and non-market-based mechanisms, as both can help countries to increase their level of ambition and step up mitigation action. Ms. Figueres also invited the participants to use the time provided during the workshop to define the scope and purpose of the framework for various approaches and non-market-based approaches, and to provide more clarity on the options for the modalities and procedures for the new market-based mechanism. She also encouraged them to propose a new name for the new market-based mechanism.

11. Mr. Muyungi provided a recap of the progress made to date on the framework for various approaches, non-market-based approaches and the new market-based mechanism and reiterated the mandates from COP18 and SBSTA 38. He informed participants of the objective of the joint workshops, outlined how the agenda was developed to meet the objectives and provided an overview of the three-day programme. He expressed hope that that the workshops would provide Parties with the opportunity to clarify questions that had proved difficult to address during the short time which had been available at the regular negotiating sessions. He encouraged them to narrow down the options so that discussions at SBSTA 39 could be more focussed and facilitate a clear outcome at COP 19. The SBSTA Chair reminded participants that limited negotiation time would be available at the Warsaw Conference for the framework for various approaches, non-market-based approaches and new market-based mechanism and therefore encouraged them to make the best use of the workshop.

12. Mr. Chruszczow, stated that facilitating progress on the mechanisms had been identified as one of the priorities for the incoming Presidency. He emphasized the importance of securing a balanced outcome on both market and non-market mechanisms, as all types of measures will be needed in the future to achieve cost-effective mitigation and

⁸ <http://unfccc.int/cooperation_support/market_and_non-market_mechanisms/items/7712.php>.

⁹ CMP = the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol.

provide incentives for ambitious mitigation commitments. He expressed hope that the multilateral approach would continue to play an important role in the post-2015 climate change regime, as well as in the evolving carbon markets. He further conveyed that the Polish Presidency is committed to working with Parties in an inclusive, transparent and consultative manner in the lead-up to COP 19/CMP 9 and during the negotiations at the Warsaw Conference, including on matters related to market and non-market mechanisms.

13. The new market-based mechanism workshop was co-facilitated by Ms. Laurence Mortier (Switzerland) and Mr. Derrick Oderson¹⁰. The co-facilitators introduced the mandate, informed participants of the objectives for the workshop and presented the approach to the work. A representative of the secretariat provided information on the relevant submissions received after SBSTA 38 and summarized the findings of the technical synthesis on the new market-based mechanism that was made available as background information for the workshop.¹¹

14. The introductory part was followed by presentations and discussions related to six thematic areas:

- (a) Options for the scope, purpose and institutional arrangements;
- (b) Options for the new market-based mechanism modalities and procedures;
- (c) Discussion on means to stimulate mitigation across broad segments of the economy and on facilitation of the effective participation of the private sector;
- (d) Criteria for accurate and consistent recording and tracking of units;
- (e) Experiences and lessons learned from existing approaches on standards to achieve mitigation, measuring, reporting and verification requirements, the share of proceeds and criteria and methods for the establishment of reference levels and the issuance of units;
- (f) Discussion on the facilitation of a prompt start and the way forward for COP 19.

15. The co-facilitators presented options for the scope, purpose and institutional arrangements which were followed by a discussion. The session on the new market-based mechanism modalities and procedures began with a presentation by a representative of the World Bank. A presentation by a representative of the Climate Markets & Investment Association kicked off the discussion on means to stimulate mitigation across broad segments of the economy and on facilitation of the effective participation of the private sector.

16. The secretariat presented on criteria for accurate and consistent recording and tracking of units after which a discussion took place. This was followed by a panel of representatives of the European Union, Papua New Guinea on behalf of the Coalition for Rainforest Nations, the Republic of Korea, and an expert representing the independent consulting group INFRAS, where views were expressed on experiences and lessons learned from existing approaches, standards to achieve mitigation, measuring, reporting and verification requirements, the share of proceeds and criteria and methods for the establishment of reference levels and the issuance of units.

17. A presentation by the secretariat of options for the facilitation of a prompt start initiated a discussion on a prompt start for the new market-based mechanism and the way forward at the Warsaw Conference. The co-facilitators summarized the day's proceedings.

¹⁰ Mr. Oderson is the current Chair of the Joint Implementation Supervisory Committee. He agreed to fill in for Mr. Collin Beck (Solomon Islands) who was unable to attend the workshop.

¹¹ <<http://unfccc.int/resource/docs/2013/tp/06.pdf>>.

18. The workshop was closed jointly with the other two workshops, on non-market-based approaches and the framework for various approaches, on 9 October with a session on expectations for the Warsaw Conference. Mr. Chruszczow introduced the session on behalf of the incoming Polish COP 19/CMP 9 Presidency, which was followed by a discussion and closing remarks by the SBSTA Chair.

III. Summary of workshop discussions

A. Session 1: options for the scope, purpose and institutional arrangements

1. Presentations

19. The co-facilitators presented the options for the scope, purpose and institutional arrangements identified in the technical synthesis and invited participants to discuss the relevant questions from the SBSTA 38 conclusions.

2. Discussion

20. The discussion on scope, purpose and institutional arrangements for the new market-based mechanism (NMM) focussed on the following questions from SBSTA 38:

- (a) How should the COP exercise its guidance and authority over the NMM?
- (b) What should the role of the UNFCCC be in relation to the individual Parties that implement the NMM?
- (c) In which aspects is the NMM different from existing market-based mechanisms?
- (d) Is there a relationship between a Party's level of mitigation ambition and its use of the NMM and, if so, what is the appropriate relationship?
- (e) What are the links between the NMM and other relevant matters under the Convention and its instruments?
- (f) How can the consistency of the NMM with the objective, principles and provisions of the Convention, with the science of climate change and with environmental integrity be ensured?
- (g) What should the institutional arrangements for the NMM be?
- (h) What measures can be taken to ensure the good governance of the NMM?
- (i) What should be the role of the implementing Party in the operation of the NMM?
- (j) How should voluntary participation be ensured? How can the NMM incentivize wider Party participation?
- (k) Should 'supplementarity' be defined and ensured and, if so, how?
- (l) How can the NMM promote sustainable development?

21. There was a shared understanding that the principles, provisions and commitments of the Convention shall apply to the new market-based mechanism, which should operate under the framework for various approaches and should be designed as a robust rules-based system, developing common tools to achieve net mitigation that would be similar or more stringent than those developed under the Kyoto Protocol. Many participants stressed that accurate accounting and a strong role of the UNFCCC is needed in order to build trust and

confidence in the new market-based mechanism. It was broadly supported that the COP should provide guidance on the implementation of the new market-based mechanism to a body that should implement this guidance and report back to the COP. Possible functions of the COP highlighted in the discussions included oversight and conformity checks to ensure environmental integrity and avoid double counting, for example in relation to eligibility, baselines, transfers of units and measuring, reporting and verification.

22. Many participants acknowledged that the new market-based mechanism should be different from existing mechanisms in terms of ambition and scope. It was highlighted that the new market-based mechanism activities could help step up mitigation action by going beyond offsetting and resulting in net mitigation and that the new market-based mechanism units could be used to meet commitments and targets both under the Convention and the Kyoto Protocol. Other views on how the new market-based mechanism would differ from existing mechanisms included suggestions that the new market-based mechanism should have coverage beyond project-based and programme-based activities and should allow for more options to generate mitigation units, not only via crediting, but also via trading with or between developing countries. It was also proposed that in order to ensure broader access for countries with different emissions, profiles, capabilities and national circumstances than is possible under the clean development mechanism (CDM), the host countries could have more flexibility to implement activities in accordance with their national circumstances and priorities. It was also suggested that the host countries could have more responsibility for the development of activities under the NMM compared to the CDM. For example the host country could be responsible for the definition of a broad segment of the economy, for the measuring, reporting and verification of emissions reductions and for the avoidance of double counting through registration and reporting.

23. In the discussion on the scope of the new market-based mechanism, some participants were of the view that the new market-based mechanism should be non-discriminatory for activities, gases and sectors, while other participants questioned whether certain sectors or activities should be included in the new market-based mechanism. A segment defined by the boundaries of REDD-plus¹² activities was given as an example of what a host country could propose as a broad segment of the economy under the new market-based mechanism.

24. It was broadly acknowledged that participation in the new market-based mechanism by Parties should be voluntary and that new market-based mechanism activities should contribute to the sustainable development of the host country. Some participants stressed that new market-based mechanism should not introduce mandatory targets for participating developing countries. The participants also discussed other possible co-benefits which new market-based mechanism activities could produce, such as capacity-building, technology diffusion and transfer and adaptation, including loss and damage. The application of the concept of supplementarity in the context of the new market-based mechanism was also broadly supported. It was suggested that there could be value in specifying supplementarity in quantitative terms in a way that incentivizes higher ambition and ensures a net decrease of emissions.

25. Some participants stressed that the availability of tools providing flexibility, such as the new market-based mechanism, will influence the ambition of future commitments. Other participants emphasized that there first has to be an increase in ambition, in order to justify the need for developing a new mechanism. In this context it was suggested to take

¹² Policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries.

into account the issues of demand, supply, carbon pricing and the current surplus of units from the Kyoto Protocol mechanisms in the design of the new market-based mechanism.

26. While some participants were of the view that the new market-based mechanism should be considered in relation to the 2015 agreement and the post-2020 climate change regime, others suggested that it should be an instrument for enhancing ambition so as to close the emissions gap by 2020, as part of a wider set of tools, or both. In this context some participants emphasized that the sole use of market-based mechanisms may not be sufficient for this purpose and that non-market-based approaches are an alternative or a complementary tool for closing the mitigation gap. It was pointed out that the outcome of the Ad Hoc Working Group on the Durban Platform for Enhanced Action may decrease the regulatory uncertainty and that it will be important for the operationalization of the new market-based mechanism.

B. Session 2: options for the new market-based mechanism modalities and procedures of the new market-based mechanism

1. Presentations

27. A representative of the World Bank kicked off the discussion with a presentation on the lessons learned from existing mechanisms that could be relevant for the elaboration of the modalities and procedures. His presentation contained information on the guiding principles for the CDM, the structure and the core elements of the CDM modalities and procedures, the overarching principles for the CDM methodologies and on experiences with the CDM. The presentation concluded with a proposal of minimum requirements for the new market-based mechanism modalities and procedures and views on the relevance of a prompt start in the context of the new market-based mechanism.

2. Discussion

28. The participants discussed some of the differences between the CDM and the new market-based mechanism that may need to be reflected in the new market-based mechanism modalities and procedures. The discussions made it clear that clarification of the scope of the new market-based mechanism would be helpful as a first step. Views were expressed that the new market-based mechanism modalities and procedures should be simple and flexible, with less detailed regulatory provisions, in order to allow for more flexibility in implementation at the national level. In addition, the participants underlined the importance of building upon what has already been agreed and taking into account the lessons learned from the CDM and joint implementation.

29. Based on experiences with existing mechanisms and schemes, some participants expressed concerns about the costs associated with implementing new market-based mechanism activities, in particular the development of systems for accurate measurement, reporting and verification that could incur substantial costs and would require support. It was suggested that the verification process could be different than for the CDM, depending on whether the host country Parties will have greater responsibility for the national implementation of new market-based mechanism activities.

30. Comparing the new market-based mechanism with the CDM, participants noted that there were four years of discussions between the Kyoto Protocol and the Marrakesh Accords and that it is important that issuance under the new market-based mechanism be faster than it was under the CDM.

C. Session 3: means to stimulate mitigation across broad segments of the economy and on the facilitation of effective participation of private and public entities

1. Presentations

31. A representative of the Climate Markets & Investment Association presented views on incentives to facilitate the effective participation of the private sector. He stressed that the private sector will be more inclined to invest if the new market-based mechanism creates a large and liquid market with many active actors, rather than if it is developed as a mechanism that leads to a limited number of government-to-government transfers. He emphasized the need to cap emissions in order to spur demand, as well as the preference of the private sector to retain the CDM model of direct issuance of units by an international body to predefined focal points.

2. Discussion

32. The discussion on means to stimulate mitigation across broad segments of the economy and on facilitation of the effective participation of the private sector focused on the following questions from SBSTA 38:

(a) What are examples of such segments? How should the new market-based mechanism stimulate mitigation within them? On what basis should the participating Parties define them?

(b) How should the new market-based mechanism facilitate such participation? How can its incentives be structured appropriately?

33. In the discussion on the definition of a broad segment of the economy, there was a shared understanding that, based on internationally defined common compulsory elements and optional choices; it should be the prerogative of the host country to define its broad segment of the economy for participation in the new market-based mechanism. The importance of ensuring that the new market-based mechanism activity covers all emissions sources and all relevant entities in the broad segment was emphasized.

34. The need to include incentives for private sector engagement in the design and implementation of the new market-based mechanism was broadly acknowledged. The important role that the host country could play in the provision of incentives at the national level was highlighted. Some of the key challenges identified in the discussions were how to translate governmental initiatives to individual companies and how to avoid instances of crediting at the aggregated level limiting the incentives for individual installations. Some participants stressed that simpler rules, awareness raising and capacity-building would be needed to facilitate participation of segments of the private sector that are not yet active in the carbon market, in particularly in least developed countries and small island developing States.

D. Session 4: criteria for accurate and consistent recording and tracking of units

1. Presentation

35. Two representatives of the secretariat presented the existing infrastructure and services for registration and tracking under the UNFCCC, including functions that can address some forms of double counting, and discussed options to facilitate registration and tracking of non-Kyoto Protocol units. It was highlighted that, from a technical perspective,

most tracking and registration systems, including those under the UNFCCC, can already register and track non-Kyoto Protocol units and can be used immediately if the units are similar to existing units and if there are no unit-specific requirements other than the standard set of checks to guarantee the safety and the validity of the transfer. Learning from experiences, it was noted that if requirements specific to the new market-based mechanism are established, it will take time and money to adjust these systems to perform the agreed additional checks, and that provision of clear rules from the beginning will reduce time and costs.

2. Discussion

36. The discussion on criteria for accurate and consistent recording and tracking of units focused on the following questions from SBSTA 38:

- (a) What are these criteria? How should they be applied?
- (b) What technical systems need to be in place?
- (c) What lessons should be learned from other experience, including under the Kyoto Protocol?

37. Many participants recognized the importance of tracking and registration systems to avoid double counting for new market-based mechanism units in the broader context of a general international accounting system, which would be applicable to the new market-based mechanism. There was also a shared understanding that it was necessary to build on the Kyoto Protocol infrastructure for registration and tracking, as needed, and on lessons learned from experiences with other registration and tracking systems. The important role that the host country could play to avoid double counting was broadly acknowledged.

38. Based on lessons learned from existing tracking and registration schemes, some participants shared the view that the consolidation of registries and use of the same registry system may save costs and reduce the complexity of connecting systems and tracking units.

E. Session 5: experiences and lessons learned from existing approaches to standards for achieving mitigation, to measuring, reporting and verification requirements, to share of proceeds and to criteria and methods for the establishment of reference levels and the issuance of units

1. Presentations

39. This session included a panel discussion that included representatives of the European Union, Papua New Guinea on behalf of the Coalition for Rainforest Nations, the Republic of Korea and an expert representing INFRAS. The panel elaborated their experiences and lessons learned from existing approaches to standards for achieving mitigation, to measuring, reporting and verification requirements, to share of proceeds and to criteria and methods for the establishment of reference levels and the issuance of units.

40. A representative of the European Union gave an overview of experiences to draw upon in relation to new market-based mechanism, including the IPCC methodologies, the UNFCCC inventories, the flexibility mechanisms under the Kyoto Protocol, the allocation system and the measuring, reporting and verification requirements of the European Union Emissions Trading Scheme and of other trading and crediting systems.

41. A representative of Papua New Guinea on behalf of the Coalition for Rainforest Nations explained how REDD-plus could be included as a broad segment of the economy in the new market-based mechanism.

42. A representative of the Republic of Korea clarified its submission on how credited nationally appropriate mitigation actions (NAMAs) could be developed in the context of the new market-based mechanism. The proposal includes a strengthened role for the host country, the use of performance indicators and a tiered approach to measuring, reporting and verification.

43. An expert representing INFRAS presented on the relation between pledges and baselines in the host countries.

2. Discussion

44. The discussion in this session was focused on the following questions from SBSTA 38:

- (a) What are the requirements for measuring, reporting and verification?
- (b) What are the standards for measuring, reporting and verification, avoidance of double counting and achievement of net greenhouse gas reductions?
- (c) What are the criteria for establishment of conservative baselines and periodic issuance of units?
- (d) How should these requirements, standards and criteria be applied?
- (e) What lessons can be learned from other experience, including under the Kyoto Protocol?
- (f) Should there be a share of proceeds? How should it be structured and applied? At what level should it be set?

45. The presentations as well as a short introduction of the questions by the co-facilitators sparked off a discussion on the scope of the new market-based mechanism, in particular in relation to crediting NAMAs and REDD-plus. Some participants were of the view that NAMAs and REDD-plus should be discussed separately and that these areas are subject to other forms of support. Other participants clarified that only the market-based variations of NAMAs and REDD-plus should be eligible for implementation under the new market-based mechanism. Possible solutions to non-permanence of reductions were proposed in relation to REDD-plus, such as the establishment of a bank reserve. Some participants expressed concerns that one set of modalities and procedures may not be capable of encompassing many different approaches. In response, other participants proposed that the modalities and procedures could be agreed at a more general level to ensure wider scope and flexibility in implementation.

46. Generally, there was support for the view that, in order to ensure that the new market-based mechanism achieves net mitigation and thus becomes a tool in which all can have confidence, the new market-based mechanism activities should be subject to robust standards, criteria, methods, accounting rules and measuring, reporting and verification requirements. An issue raised in this context was the need for provisions to avoid exclusion of countries and regions due to unavailability of data.

47. There was also broad support for applying the concept of share of proceeds in the context of the new market-based mechanism.

F. Session 6: facilitation of a prompt start and way forward to the Warsaw Conference

1. Presentation by the secretariat on the facilitation of a prompt start

48. A representative of the secretariat presented relevant experiences with activities implemented jointly, the CDM and NAMAs, and presented four options to facilitate a prompt start for the new market-based mechanism.

2. Discussion

49. The discussion on the facilitation of a prompt start of the new market-based mechanism focussed on the following questions from SBSTA 38:

- (a) What measures should be taken to facilitate the prompt start of the NMM?
- (b) What criteria should be in place?

50. Some participants were of the view that the process was too slow and supported the facilitation of a prompt start, stressing that a lot of time has already been invested in discussions and reiterating that implementation of the mandate to develop modalities and procedures for the new market-based mechanism from COP 17 has already been postponed once. Additional reflections included moving step-wise in terms of the level of detail and introducing a name for the new market-based mechanism at COP 19. Other participants pointed out the need for more discussion and for further guidance before the new market-based mechanism can be operationalized through a prompt start. One of the proposals included the introduction of a moratorium on the new market-based mechanism at COP 19, until scientific data showing that markets can contribute effectively to climate change mitigation is provided. There was general interest to start with information-sharing, as knowing more about tools that may be available in the future and about concrete experiences is considered useful. In addition, it was recognized that providing support and capacity-building to develop activities would facilitate this information sharing.

IV. General discussion on the expectations for the Warsaw Conference for the framework for various approaches, the new market-based mechanism and non-market-based approaches

51. The SBSTA Chair moderated the closing session on the expectations for the Warsaw Conference regarding the framework for various approaches, non-market-based approaches and the new market-based mechanism. Mr. Chruszczow, representing the incoming Presidency, led the discussion and recalled the ambition of the incoming Presidency to facilitate progress on all three issues. He encouraged participants to engage constructively at the Warsaw Conference so that COP 19/CMP 9 could result in a tangible step forward in the elaboration of market and non-market mechanisms. The co-facilitators of each workshop reflected on the interactive discussions and summarized their observations on possible areas of common interest and areas for further elaboration.

52. The co-facilitators of the workshop on the framework for various approaches highlighted the need for the definition of the purpose and scope of the framework as well as for information sharing on approaches which can lead to building trust and confidence. The following areas of possible common interest that could feature in a decision at the Warsaw Conference were identified:

- (a) Address international aspects of approaches such as the transfer of units or outcomes (mitigation/avoidance);
- (b) Start with information sharing and reporting on approaches;
- (c) Consider developing common standards, rules, guidance to ensure environmental integrity and avoid double counting.

53. The co-facilitators of the workshop on non-market-based approaches highlighted the importance of non-market-based approaches in achieving the ultimate objective of the Convention and outlined some of the characteristics identified in the discussions which could help to define non-market-based approaches under the UNFCCC. The importance of capturing the international dimension of the work programme on non-market-based approaches was also reiterated. The following activities were suggested as possible elements of the work programme:

- (a) Information-sharing on actions and experiences, such as via a repository, to ensure comparability and transparency;
- (b) Developing guidelines and tools for non-market-based approaches;
- (c) Encouraging and supporting the activities of other institutions which use non-market-based approaches aimed at achieving the ultimate objective of the Convention, such as the work on energy efficiency;
- (d) The joint mitigation and adaptation mechanism.

54. The co-facilitators of the workshop on the new market-based mechanism highlighted the range of views on the need for developing the new market-based mechanism, including in the context of increased ambition, the status of ratification of the amendment on a second commitment period under the Kyoto Protocol and the provision of support for the development of new market-based mechanism activities. The following areas of possible common interest that could feature in a decision at the Warsaw Conference were identified:

- (a) Provide further guidance on the scope and purpose of the new market-based mechanism;
- (b) Confirm that principles, provisions and commitments of the Convention shall apply to the new market-based mechanism;
- (c) Clarify that new market-based mechanism shall operate under the framework for various approaches and that new market-based mechanism activities shall result in units that can be used to meet commitments and targets under the UNFCCC;
- (d) Complement the principles agreed at the United Nations Climate Change Conference held in Cancun, Mexico, that apply in the context of the new market-based mechanism, with other principles, such as contribution to technology diffusion and transfer, equitable access and additional guidance;
- (e) Start with information exchange on possible activities under the new market-based mechanism, provide support and capacity-building and collect scientific information and data on the benefits of using market mechanisms for achieving mitigation;
- (f) Confirm that the new market-based mechanism would be subject to robust standards, criteria, methods, accounting rules and measuring, reporting and verification requirements so as to achieve net mitigation similar or more stringent than what is stipulated under the Kyoto Protocol;
- (g) Confirm that share of proceeds shall be applied in the context of the new market-based mechanism and that the mechanism is expected to build on existing experiences and lessons learned, including those related to the Kyoto Protocol;

(h) Ensure that the modalities and procedures for the new market-based mechanism are simple, flexible and contain minimum provisions.

55. An area that may require further discussion concerns the appropriate governance structure or a process to develop the technical aspects of the new market-based mechanism, taking into account existing structures and the discussions under the framework for various approaches.

56. During the discussion, participants expressed their willingness to cooperate on a concrete outcome at the Warsaw Conference.
