

# 1. Introduction

The climate change regime under the Kyoto Protocol relied significantly on [market mechanisms](#) such as the [Emissions Trading Scheme \(ETS\)](#), [Clean Development Mechanism \(CDM\)](#) and [Joint Implementation \(JI\)](#) as a way to make achieving emission reductions more cost-effective. In addition, the [CDM](#) had the goal of involving developing countries in mitigation while contributing to their sustainable development. In the past few years, the problems faced by these market mechanisms, such as the fall in the price of carbon, have encouraged parties under the [UNFCCC](#) to explore options beyond them. The concept of non-market based approaches emerged in the [UNFCCC](#) negotiations as a proposal for dealing with climate change by countries like Bolivia and Venezuela who severely opposed to the use of market mechanisms. These countries claimed that market mechanisms essentially promote the right to pollute and commodify the climate.

While there is a general consensus amongst [UNFCCC](#) parties that non-market based approaches ([NMAs](#)) will be an important element of the post 2020 agreement that is to be agreed upon at the Conference of Parties ([COP](#)) in Paris 2015, it is not yet clear what exactly constitutes such a NMA. In this knowledge package we discuss the history and current status of discussions on [NMAs](#) under the [UNFCCC](#). For more information on market mechanisms, please refer to "[New market mechanisms: Status of discussions under the UNFCCC](#)".

## 2. Emergence of the concept NMAs

In the Bali Action Plan (2007) parties under the [UNFCCC](#) agreed to enhance mitigation options using various approaches including those of markets. Following this agreement, non-market approaches surfaced as an important element of discussion for enhanced mitigation action during [COP 16](#) in Cancun 2010. The Cancun Agreement<sup>1</sup> requested parties "to consider the establishment, at the seventeenth session of the [COP](#), of one or more non-market-based mechanisms to enhance the cost effectiveness of, and to promote, mitigation action". Due to the failure of parties to finalize a post 2012 agreement under the UN Ad Hoc Working Group on Long-Term Cooperative Action ([AWG-LCA](#)), the work on non-market mechanisms was referred to the Subsidiary Body for Scientific and Technological Advice ([SBSTA](#)) at the [COP 18](#) held in Doha. The [SBSTA](#) asked parties to submit their views "on experience and good practice relevant to the design and operation of non-market-based approaches"<sup>2</sup> to the [UNFCCC](#) Secretariat in September 2014. Submissions by a few parties have been received on this topic.

## 3. Conceptualizing NMAs

At [COP 19](#) in Warsaw (2013), parties have accepted that for implementation of [NMAs](#) to be successful a necessary precondition is international coordination, cooperation and contribution with the intention of safeguarding sustainable development<sup>3</sup>. Negotiating parties have agreed that certain policies and measures – such as those that promote the development and transference of renewable energy technologies, [energy efficiency](#), or phasing out of substances such as [HFCs](#) that cause harm to the environment, as well as initiatives promoting mitigation and adaptation – can be considered to be existing [NMAs](#)<sup>4</sup>.

In the above context, nationally appropriate mitigation actions ([NAMAs](#)) may also represent [NMAs](#) although they can act as a channel for [market-based mechanisms](#) such as [emissions trading](#) or work as an amalgamation of both market and non-market based approaches. Most parties view [NMAs](#) to be domestic policies<sup>5</sup>. There are also ongoing discussions on the international cooperation aspect of [NMAs](#). For example, international cooperation may be in the form of provision of capacity building support and financial assistance. Some parties have also viewed reducing emissions from deforestation and forest degradation (REDD+) to be a mechanism of NMA. REDD+ is broader than REDD and includes the role of conservation, sustainable management of forests and enhancement of forest carbon stocks.

However, parties' views are widely divergent with regard to whether REDD+ should have only a

NMA component or whether it should have a market-based track as well. The figure below represents the current understanding and discussions on what could potentially be considered to be [NMAs](#) as assessed by the [UNFCCC](#). The assessment was based on the submissions from parties, relevant [SBSTA](#) discussions, national communications as well as related discussions.

## [NMAs](#)

Examples of potential [NMAs](#) being discussed at the [UNFCCC](#)



Figure 1: Examples of potential [NMAs](#) Source: [UNFCCC](#) (2014)

Source: [UNFCCC](#) (2014) [4](#)

## 4. Specific negotiating party positions in the UNFCCC

EU - A submission<sup>6</sup> to the [UNFCCC](#) by the EU in 2014 indicates that the EU considers cost effective mitigation actions to be the most important component on [NMAs](#). They also stress on the importance of co-benefits such that they should not be ignored although the main focus of [NMAs](#) should be on mitigation of greenhouse gas ([GHG](#)) emissions.

Environmental Integrity Group's (EIG) - The EIG's<sup>7</sup> views are well allied with those of the EU as they also emphasize cost effective mitigation measures. They further elaborate that the focus on [NMAs](#) should have an international dimension for coordination in order to implement it at lower levels, regional, subnational or national. Like the EU, they also warn against duplication of discussions or instruments under the [UNFCCC](#) or other institutions.

Least Developed Countries ([LDCs](#)) - The [LDCs](#)<sup>8</sup> reason that the importance of [NMAs](#) is largely because of the fact that not all developing countries had access to market mechanisms such as the Clean Development mechanism ([CDM](#)) and hence the dependence on market mechanisms alone might not be sufficient for emission reductions.

Bolivia and Saudi Arabia - Countries like Bolivia and Saudi Arabia assert that the fundamental objective of [NMAs](#) should be [GHG](#) reductions but should be based on historical responsibility of emissions. They state that it is the responsibility of developed countries to take the lead in emission reductions as well as assist developing countries through transfer of financial and technical support and the actions of developing countries would be contingent on this support.

These submissions reveal the divergence of views among parties regarding what constitutes [NMAs](#) and how to implement them.

## 5. Future outlook on NMAs

At a workshop discussing [NMAs](#) in Bonn (2013)<sup>9</sup> parties agreed that [NMAs](#) were better suited for cases where emission reductions were not easy to quantify or [carbon leakage](#) could be a possible issue or where the carbon price was too low. Other options that can be considered for the use of [NMAs](#) were in enterprises where the investment decisions were not driven only by mitigation of carbon emissions but also other factors. The 41<sup>st</sup> [SBSTA](#) meeting held in 2014 in Lima did not succeed in reaching an agreement, so that work on this topic is still ongoing. The key challenge around the NMA discussions is that there is still no proper definition of what they are. Current discussions on [NMAs](#) revolve around existing approaches. Therefore, the additional value of implementing these approaches under the new umbrella of [NMAs](#) is an open issue with an ongoing assessment procedure.

Sources

- [1](#). Decision 1/CP.16, "The Cancun Agreements: Outcome of the work of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention", UN Doc.

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<http://unfccc.int/resource/docs/2010/cop16/eng/07a01.pdf#page=2> (Accessed 2 December 2015)

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- **5. UNFCCC** (2014). **UNFCCC** Briefing on the Technical Papers on FVA, NMA and NMM, 1 December, 2014. Online available at: [http://unfccc.int/files/bodies/sbsta/application/pdf/sbsta\\_techpapers\\_br...](http://unfccc.int/files/bodies/sbsta/application/pdf/sbsta_techpapers_br...)
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- **8. UNFCCC** (2013). Submission by Nepal on behalf of the Least Developed Countries Group with respect to Non-Market-Based Approaches. Online available at: [http://unfccc.int/files/documentation/submissions\\_from\\_parties/applicati...](http://unfccc.int/files/documentation/submissions_from_parties/applicati...)
- **9. UNFCCC** (2014). Report on the workshop on non-market-based approaches. 30 October 2013. Online available at: <http://unfccc.int/resource/docs/2013/sbsta/eng/inf12.pdf>