Outcome of Break-out 8

Future market expectations

Altes Abgeordnetes Hochhaus (AHH) Bonn Germany, 13-14 November 2014



UNFCCC secretariat SDM Programme Question 4: What are the main issues and challenges that developing countries are/will be facing in view of the emerging carbon markets/mechanisms?

ISSUES FACED WITH CDM	ADDITIONAL ISSUES WITH EMERGING MARKETS
Lack of technical capacity to adapt to CDM's learning by doing process	Capacity to master sectoral approaches (vs project by project)
Necessity to build institutional capacity and regulatory framework	Capacity to understand and address emerging issues (double-counting, MRV, etc.)
Lack of clarity and understanding of financial assistance flows	Linkages with other mechanisms (NAMA, low carbon devel strategies)
Weakness of the private sector	Technical constraints to set up a cap-and-trade system in case it is required to participate in new market mechanism
Inadequate quality and quantity of data	Limited capacity to conduct mitigation assessment in order to determine the most appropriate mechanism for participation (which one to choose)
Language barriers	Legislation and political risk (Bureaucratic process of approvals)
Availability of technology and technology transfer	Lack of financial capacity.



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ADDITIONAL ISSUES WITH EMERGING MARKETS

- Compatibility between diff mechanisms Is there a need for common metrics
- Carbon tax leads to transfer of price to customers.
- Creating of adequate demand and price signal in the market (market volatility, distortion of economic activity).
- Lack of clarity on what is a emerging market itself would the dynamics remain same after Paris ??

