

## Submission by the Institute for Global Environmental Strategies (IGES)

Views on framework for various approaches referred to in paragraph 6 of document FCCC/SBSTA/2014/L.10 as invited in paragraphs 6 of the document.

22 September, 2014

## Introduction

IGES welcomes the opportunity to submit its views on the draft conclusions for **SBSTA 40 agenda item 13 (a) the framework for various approaches (FCCC/SBSTA/2014/L.10)**, as invited by the paragraph 6 of document FCCC/SBSTA/2014/L.10. IGES has been conducting a range of policy research and capacity building activities on market mechanisms in the Asia and Pacific. This submission intends to provide our views on the possible design and operation of a framework.

## Background

In this chapter, this submission paper summarizes the background of the discussion for the framework in order to highlight the key elements to be discussed.

- At the thirteenth session of the Conference of the Parties (COP 13), various approaches, including opportunities for using markets, to enhance the cost-effectiveness of, and to promote, mitigation actions, bearing in mind different circumstances of developed and developing countries, in order to enhance national or international action on mitigation of climate change. (Decision 1/CP.13, paragraph 1. (b). (v))
- Also since the eighteen session of the Conference of the Parties (COP 18), the following elements have been discussed to formulate the framework. (Decision 1/CP.18, paragraph 46.)
  - a. The purpose of the framework;
  - b. The scope of approaches to be included under the framework;
  - c. A set of criteria and procedures to ensure the environmental integrity of approaches
  - d. Technical specifications to avoid double counting through the accurate and consistent recording and tracking of mitigation outcomes;
  - e. The institutional arrangements for the framework;
- Currently, at the fortieth session of the Subsidiary Body for Scientific and Technological Advice (SBSTA 40), Parties and admitted observer organizations were invited to elaborate possible design and operation of a framework. The submission could address whether and how approaches; (FCCC/SBSTA/2014/L.10, paragraph 6)
  - a. Meet standards that are comparable to standards under the UNFCCC;
  - b. Meet the standards referred to in decision 2/CP.17, paragraph 79, and decision 1/CP.18, paragraph 42;
  - c. Enable the accounting, at the international level, of mitigation outcomes;
  - d. Allow for participation, including through possible eligibility criteria;
  - e. Provide co-benefits, including, but not limited to, their contribution to sustainable development, poverty eradication and adaptation;

- f. Have effective institutional arrangements and governance;
- g. Relate to international agreements;

This submission provides perspectives on accounting issues under the ongoing international discussion for the mitigation targets. Hence, it provides inputs for the item (a) “Meet standards that are comparable to standards under the UNFCCC”, the item (c) “Enable the accounting, at the international level, of mitigation outcomes”, the item (f) “Have effective institutional arrangements and governance” and the item (g) “Relate to international agreements”.

In order to effectively elaborate those discussion points above, this submission has three sections; 1) relevance with the ADP 2015 agreement and pre-2020 ambition what is purpose of framework for the item (g), 2) purpose of the framework under the context above for the item (g) and (c), 3) accounting issues especially to enable comparability and avoid double counting for the item (c) and (a) and 4) Institutional arrangements and governance for the item (f).

## IGES views on the FVA

### 1) Highlighting importance of relevance with the discussion on work of the ADP 2015 agreement (INDC) and pre-2020 ambition

*This section contributes the discussion under the item (g) on FCCC/SBSTA/2014/L.10, paragraph 6*

The origin of the discussion on the framework is to enhance the cost-effectiveness of, and to promote, mitigation actions, bearing in mind different circumstances of developed and developing countries, as defined in Decision 1/CP.13, paragraph 1. (b). (v). The Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP), is mandated to develop a protocol, another legal instrument or an agreed outcome with a legal force under the Convention applicable to all Parties, which is to be completed no later than 2015 in order for it to be adopted at the COP21 in 2015 and for it to come into effect and be implemented from 2020 (Decision 1 CP.17). Under the ADP there are two workstreams for the discussion: workstream 1 and workstream 2. The workstream 1 deals with the 2015 agreement for it to come into effect and be implemented from 2020, which is so called “Intended Nationally Determined Contributions (INDC)”. On the other hand, workstream 2 deals with pre-2020 ambition with great concern of the significant gap between the aggregate effects of Parties' mitigation pledges and scientifically required GHG emission reductions by 2020.

**Table 1. Status of possible INDCs**

Type	Description	Characteristics	Most important information requirements for gap assessment
Economy-wide emission reduction targets (GHG-target)	Base year goal: Commitment to reduce, or control the increase of , emission by a specified quantity relative to base year	- Full flexibility where to reduce emissions - For developed countries a continuation of the status quo	Accounting for forestry
	Baseline scenario goal: Commitment to reduce, or control the increase of, emission by specific quantity relative to a projected emission baseline scenario	- Full flexibility where to reduce emissions - Can factor in economic growth	Level of baseline scenario
	Intensity goal : Commitment to reduce, or control the increase of,	- Full flexibility where to reduce emissions	Assumed level of future GDP

	emission intensity by a specified quantity relative to a base year.	- Adaptive to change in economic development - Emission outcome uncertain	
	Fixed level goal: Commitment to reduce, or control the increase of, emissions to an absolute emissions level in a target year.	- Consistency with carbon budget	Legitimacy of the goal
Energy targets (non-GHG target)	Typically, energy efficiency target, renewable energy targets, and a coal cap or control target.	- Closer to actual actions than emission target	Definition of the target, quantification of impact on emissions
Policies (non-GHG target)	Regulation and standards, as well as economic instrument, such as carbon market, taxes and subsidies.	- Directly under control of the government	Quantification of impact on emissions
Projects (non-GHG target)	Implementation of specific project.	- Very detailed in scope	Quantification of impact on emissions

Based on ECOFYS (2014) and WRI (2014)

As shown in the Table1, a variety of INDCs are discussed under the workstream 1. Most of the developed countries are expected to submit base year goal as economy-wide emission reduction targets. On the other hand, it is assumed that the most of the developing countries may submit non-GHG types of INDCs rather than base year goal target due to the variety of circumstances. Non-GHG target may include, for example, energy targets, policies and projects. This structure is similar to the pre 2020-ambitions including NAMA as shown in table2. Therefore, it is important to establish the accounting framework for pre 2020-ambitions in order to facilitate smooth implementation of the INDCs.

**Table 2. Status of pre 2020-ambitions including NAMA**

		Proposing countries
Economy-wide emission reduction targets (GHG-target)	Base year goal	USA, Japan, EU, Republic of Moldova, Antigua Barbuda and Marshall Islands
	Baseline scenario goal	Brazil, Chile, Indonesia, Israel, Mexico, Papua New Guinea, Republic of Korea, Singapore and South Africa
	Intensity goal	China, India
	Fixed level goal	Bhutan, Costa Rica and Maldives
Non-GHG targets	Energy targets	China and Peru
	Policies	Brazil, Argentina, Armenia, Benin, Botswana, Cambodia, Cameroon, Central African Republic, Chad, Colombia, Congo, Cote D'Ivoire, Eritrea, Gabon, Ghana, Madagascar, Mauritania, Mauritius, Peru, San Marino, Sierra Leone, Togo and Tunisia
	Projects	Ethiopia, Jordan, Mongolia, Morocco, The former Yugoslav and Republic of Macedonia

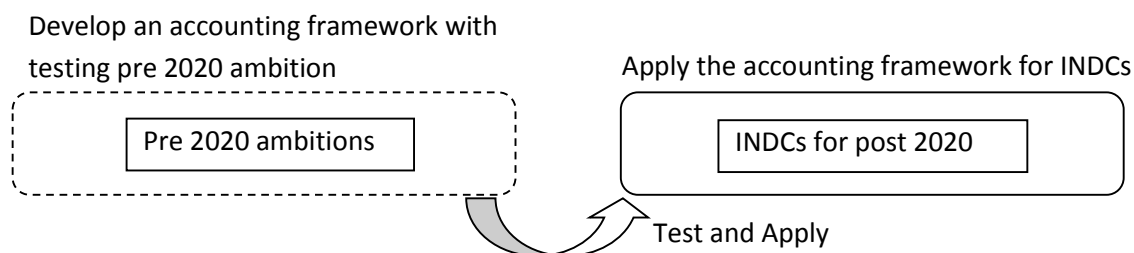
Based on Fukuda and Tamura (2009) and ECOFYS (2014)

## 2) Purpose and formulating process of the framework under the context of the ADP discussion

*This section contributes the discussion under the item (g) and (C) on FCCC/SBSTA/2014/L.10, paragraph 6*

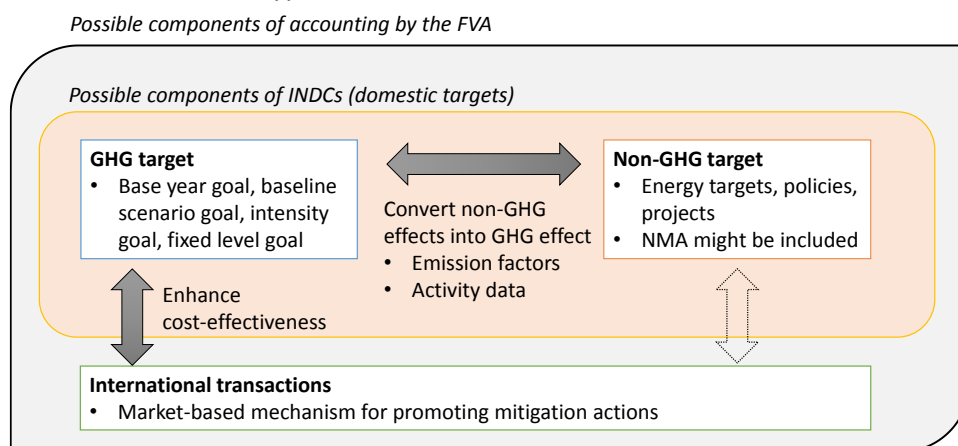
One of the purpose of the framework should be to recognize mitigation outcomes under the 2015 agreements as well as pre 2020-ambitions because various approaches including opportunities for using market is to enhance the cost-effectiveness of, and to promote mitigation actions by countries. As discussed above, the

Parties' commitments for both INDCs and pre 2020 ambition would be categorized in same types. Then, it is preferable to develop the framework with testing pre 2020 ambition as a piloting stage in order to fully operationalize after 2020.



**Figure1. Formulating process of the framework**

In addition, the scope of framework includes accounting procedures for mitigation outcomes under the INDCs at the both national level and international level since INDCs includes not only GHG emission reduction target but also energy target, policies and projects, which are categorized into non-GHG target. When mitigation accounting for INDCs includes non-GHG targets, the scope of the FVA might include non-market-based approach (NMA) in addition to market-based approach. As to the accounting for international transfers of mitigation outcomes by parties, it is difficult to develop a framework for it without coordination of mitigation accounting issues for those several types of INDCs.



**Figure2. Purpose of the framework**

### 3) Accounting issues to enable comparability of INDC and avoid double counting of mitigation outcomes

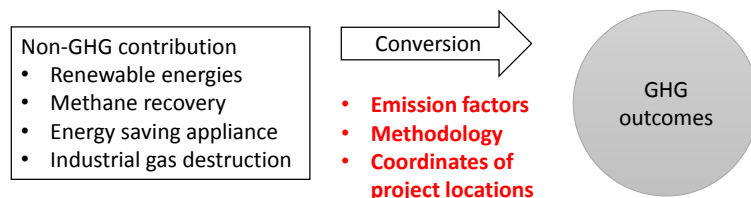
*This section contributes the discussion under the item (c) and (a) on FCCC/SBSTA/2014/L.10, paragraph 6*

As discussed above, there are several types of mitigation commitments under INDCs. OECD (2014) identified three process for accounting diverse commitments; GHG inventories, tracking methodology for non-GHG targets (energy targets, polices, projects) with accounting GHG impact and system of tracking GHG and non GHG units transfer.

- I. Inventory is a foundation of setting all types of economy-wide emission reduction targets since it determines base year emissions. Inventory is also utilized for the assessment whether the emission reduction is fulfilled or not.
- II. Accounting rule for non-GHG target is also necessary to ensure the compatible assessment. For example, when Parties have a committed policy to implement wind power projects, evaluation criteria should be defied (e.g. installed capacity (kW), actual electricity generation (kWh) or amount of investment cost (USD)). Also, OECD (2014) pointed out that non-GHG contribution needs to be converted to GHG emission

reduction in order to understand GHG impact. In addition, according to WRI (2013), if multi mitigation polices are implemented, overlap or reinforce effect should be assessed to avoid double counting, which would be challenging issues in the technical points of view.

Some important elements of accounting for non-GHG targets are emission factors and methodologies to convert non-GHG effect into GHG effects, which needs to be shared and facilitated by the FVA. Furthermore, to consider reinforce/overlap effect or double counting issues, it is also important to identify the location of projects such as coordinates.



**Figure2. Important elements for accounting non-GHG goal**

III. When the mitigation outcomes is internationally transferred, there needs to be a system to track and register through common reporting format to manage the transaction, avoiding double counting. Under the situation where Parties have mitigation policies, it is difficult to implement baseline and crediting scheme such as the clean development mechanism (CDM) due to the difficulty of identifying the baseline. On the contrary, transaction of pre-allocated units supported by GHG inventory is easier to implement, for example, Joint Implementation. In addition, when the transaction also deals with non-GHG units such as renewable energy certificates, it also needs to develop original registry for each unit. Although those discussion would be elaborated when the parties determines their INDCs at COP21 in Paris, it is important to share technical views to avoid double counting beforehand.

#### 4) Institutional arrangements and governance

*This section contributes the discussion under the item (f) on FCCC/SBSTA/2014/L.10, paragraph 6*

The FVA is a process to accommodate different mechanisms, which involves the transfer of mitigation outcomes under the UNFCCC for the fulfilment of national contributions. Essentially, it is a bottom-up process and, therefore, it does not need the centralized oversight. This indicates that the decision at COP on the FVA can provide the basis for each Party with the support of UNFCCC secretariat to promote the discussions under the FVA. Hence, the FVA requires the good facilitation of the process that each mechanism or contributions will elaborate different ways how to meet “standards that deliver real, permanent additional and verified mitigation outcomes, avoid double counting, achieve net decrease and/or avoidance” so that the respective activities can be recognized and used as an approach to promote mitigation actions under the UNFCCC. In addition, the FVA could be applied to processes under the UNFCCC such as the IAR (International Assessment and Review) for Biannual Reports and International Consultation and Analysis (ICA) for Biannual Update Reports with a set of guidelines and procedures related to the FVA.

#### Conclusion:

The FVA needs to support for transparency of INDCs. Since INDCs cover Economy-wide emission reduction targets (GHG targets) as well as Non-GHG targets such as energy targets, policy and project implementation, the scope of the FVA includes accounting framework for not only international transactions but also mitigation targets or actions under INDCs. Therefore, in this case, the FVA might cover non-market-based approach in addition to market-based approach. The FVA needs to be developed through bottom-up process with support by UNFCCC secretariat and could be coordinated with other UNFCCC process such as IAR and ICA.

## References

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