

Analysing (I)NDCs – what options for accounting arise? What challenges exists?

Annual Partnership Retreat: From MRV to an enhanced transparency framework in the context of NDC implementation'

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What are the implications in relation to the global goal and the implementation of the Paris agreement if accounting guidance is not developed?

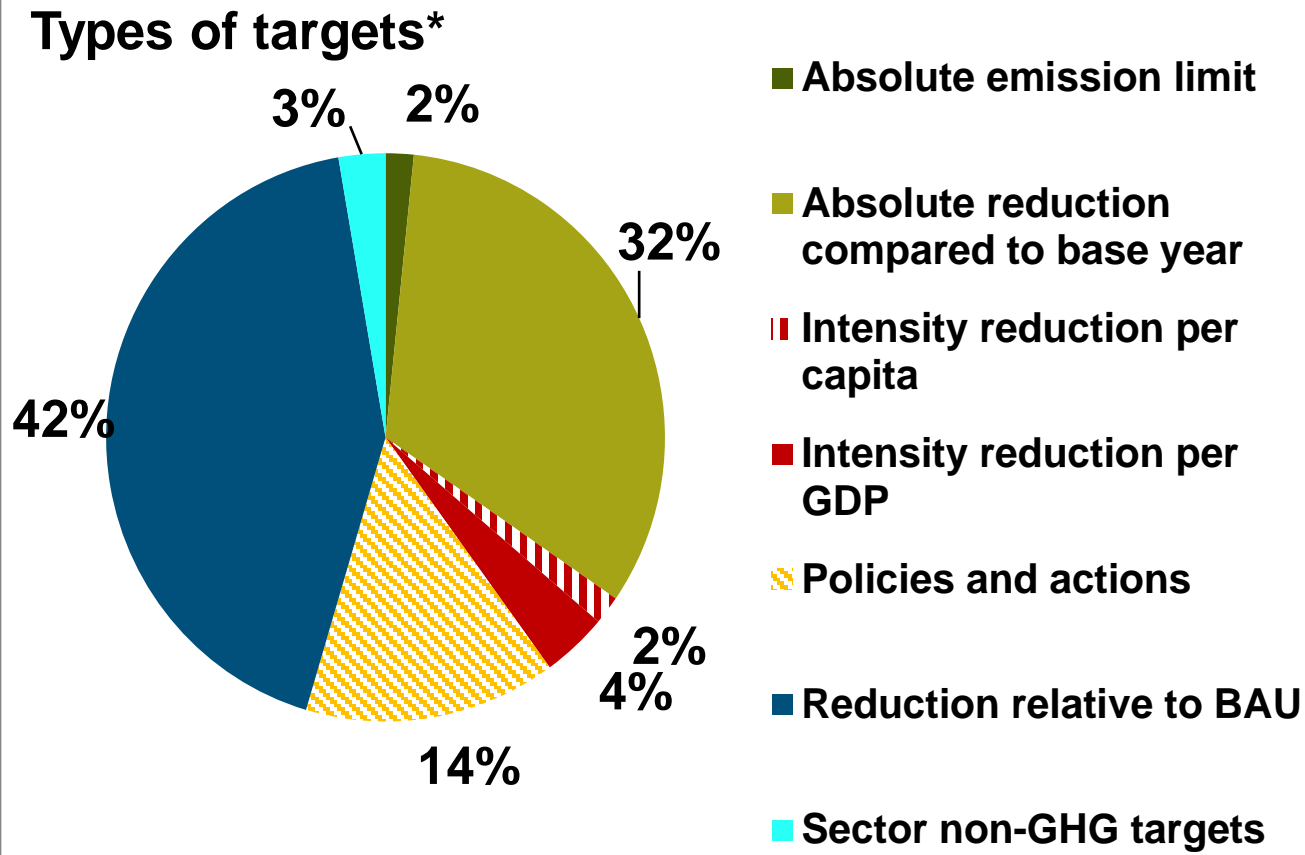
- Common accounting guidance is essential to ensure that the principles outlined in Article 4, paragraph 13 of the PA are implemented in the process of tracking of progress:
 - to promote **transparency, accuracy, completeness, comparability** and **consistency**
 - to ensure the **avoidance of double-counting** and
 - to promote **environmental integrity**
- For example, without common accounting guidance related to Article 6 for carbon market activities or crediting activities, it seems impossible to avoid double-counting between Parties selling and buying units
- Assessment of global mitigation contribution very difficult without accounting guidance (e.g. para 31 of decision 1/CP.21 inventory methodologies and common metrics)

- Accounting guidance enables a Party to determine and demonstrate whether or not it has achieved its contribution in a clear and transparent way.
- As a Party you will know upfront what will be required for the process of tracking progress and you can plan how to implement the requirements.
- Without accounting guidance each Party has to make up their own way, how progress is tracked and reported. For some INDC types this may be simple and straightforward, for other types this may be rather complex and challenging.
- Without accounting guidance, the tracking of progress will neither be transparent nor comparable (not even for the same types of INDCs) and we will not understand very well what Parties do until after the end of the target period.

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Based on an analysis of the existing (I)NDCs, what challenges to accounting need to be addressed?

Types of INDCs



*188 INDC submissions, 12 April 2016,

Limited number of types of INDCs

Most types well known and straightforward for accounting

Reduction relative to BAU very important category

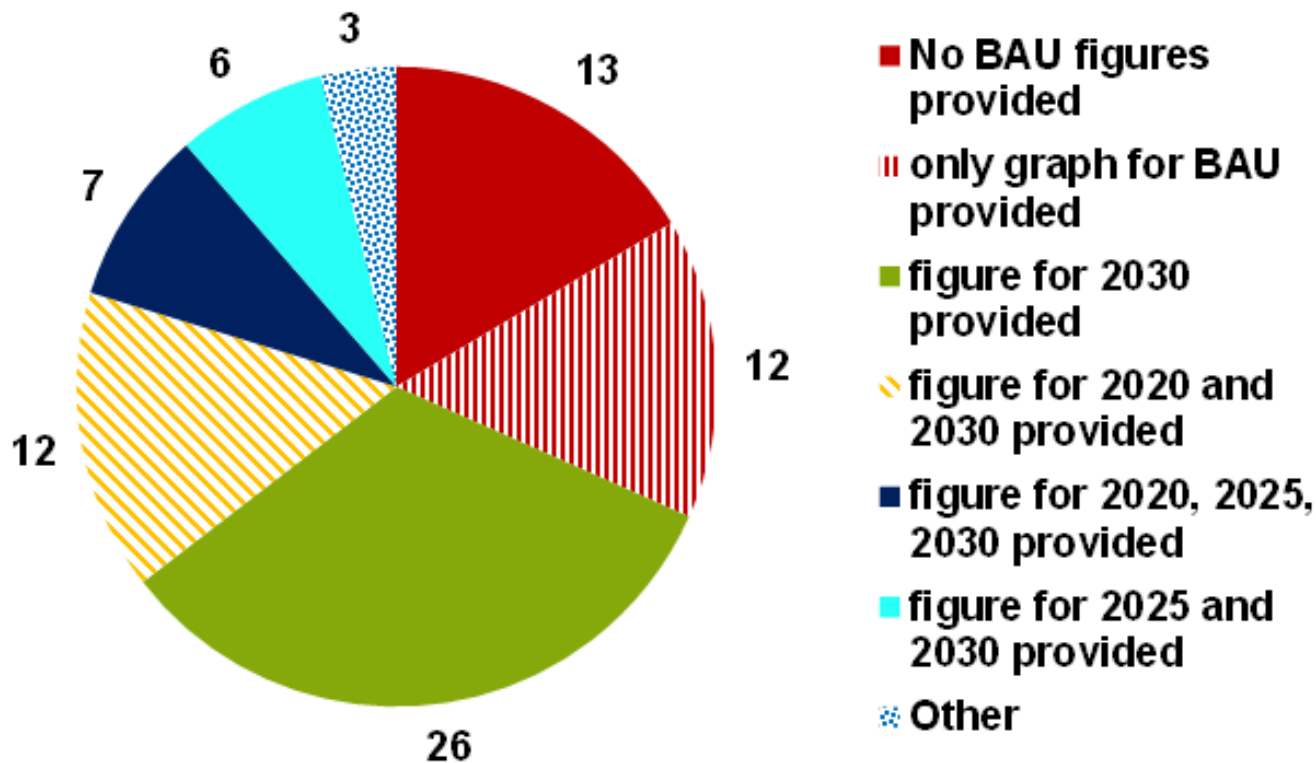
PAMs and sector non-GHG targets more challenging (less experiences)

Accounting issues arising from INDCs

- For tracking of progress different reported elements are needed for the different types of INDCs
 - ⇒ some way of categorization of INDCs will be necessary to define information requirements
- INDCs do not yet define all accounting elements, e.g. in relation to accounting of emissions and removals from land-use or the use of market mechanisms.
 - ⇒ When will Parties take these decisions? When and how will they be communicated for the assessment of progress?
- Reference level/ value key for the assessment of progress
- The reference against which the target is compared is not always clear. This is in particular an issue for INDCs relative to BAU (see next slide)

Information available related to quantified BAU emissions as part of INDC submissions

Transparency of BAU targets



- Quantified BAU values missing for at least 25 INDC submissions
- If BAU figure is only provided for 2030, what is appropriate progress for period before 2030?

Reference levels/ values I

- Some Parties announced in INDC submissions that they will update BAU scenarios.
 - Other Parties consider BAU scenarios as fixed.
 - Unclear whether Parties intent to recalculate base year emissions over target period for absolute targets which each inventory submission or whether base year emissions are fixed.
- ⇒ Information necessary from Parties about their intention to update
 - ⇒ Information needed on final reference levels/ values.
 - ⇒ When and in which process is this information reported?

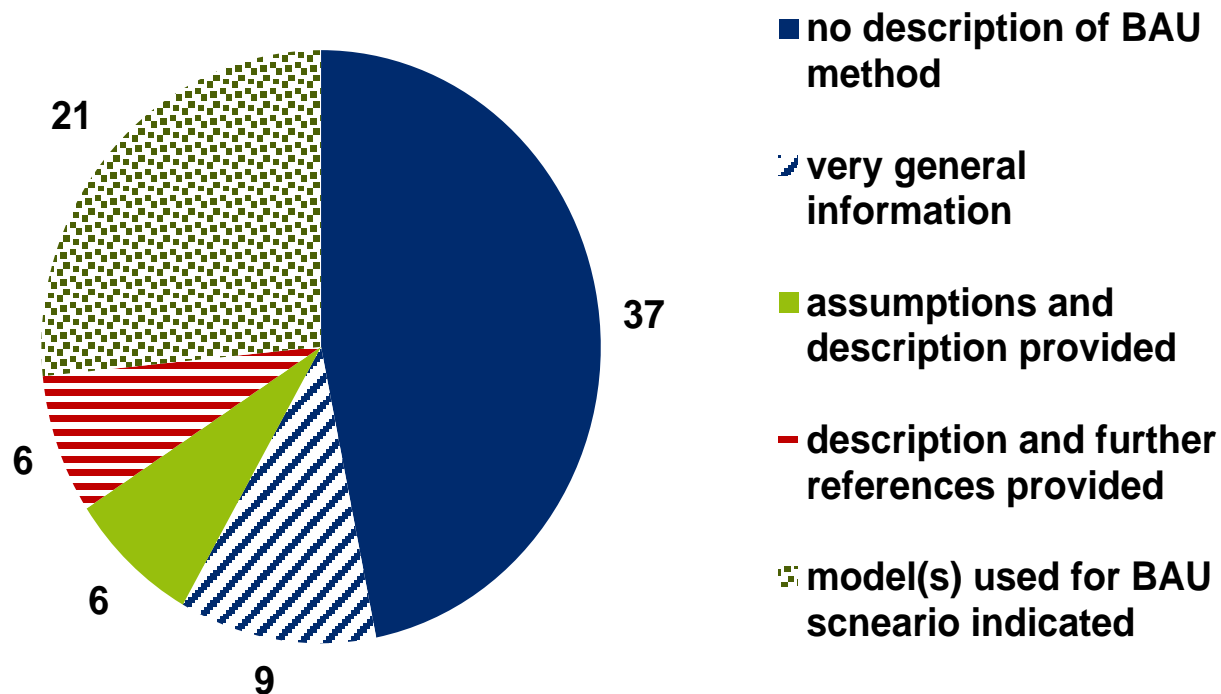
Reference levels/ values II

- Para 31(b) of decision 1/CP.21 requires Parties to ensure methodological consistency, including baselines, between the communication and implementation of INDCs
- Rationale: targets should not be achieved through changes in methodologies used.
- Some BAU scenarios are not based on GHG inventories, what does methodological consistency mean in such cases?
- GHG inventories are expected to improve methodologies until 2030 for all countries ⇒ will require changes of reference levels.

Does this requirement apply to any methodological changes or only to significant methodological changes?

Reference levels/ values III

Information on BAU methods



Information on BAU methods frequently not provided

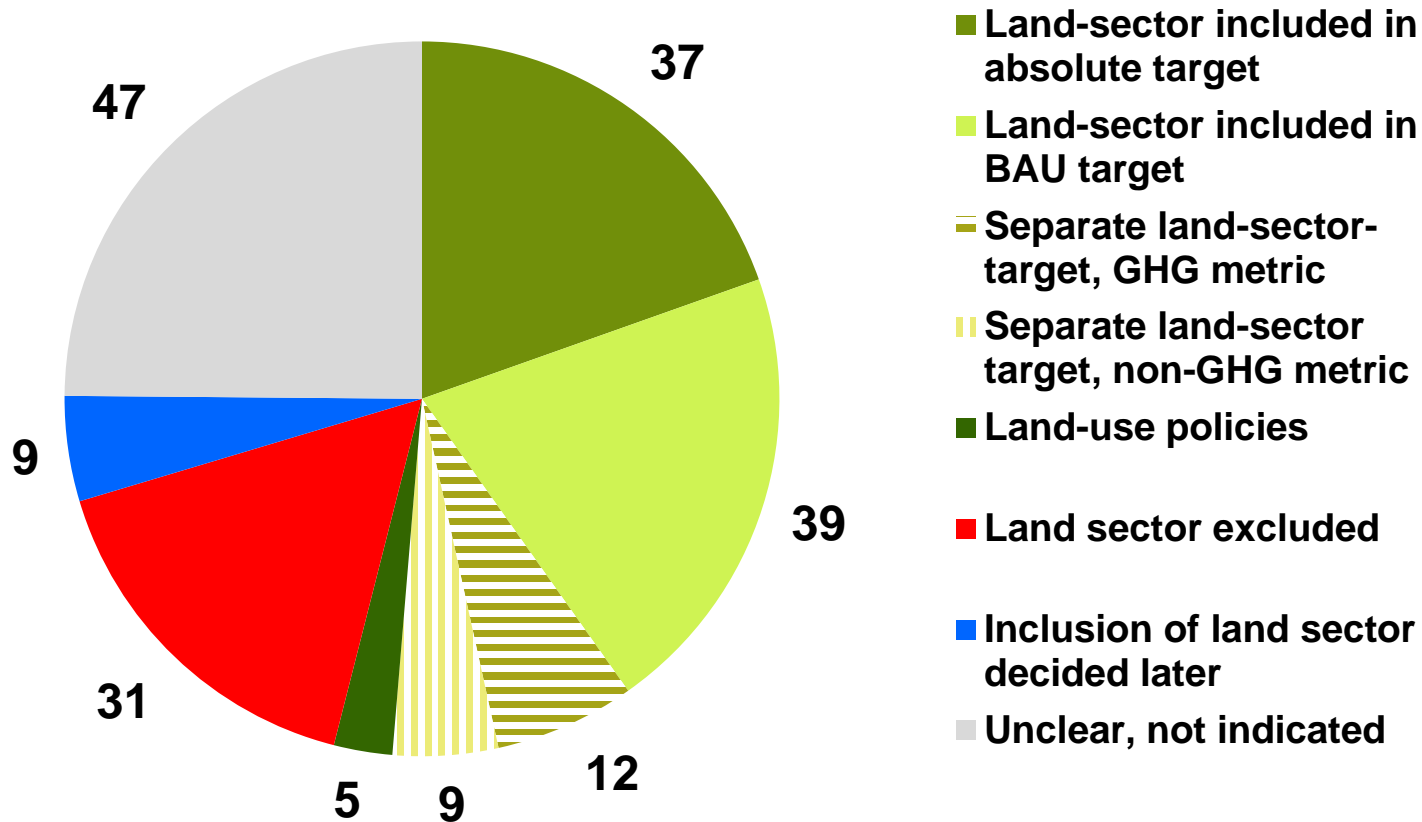
⇒ not possible to assess method. consistency with information available in INDC submissions

⇒ When and how will this information be provided?

Conditional INDCs

- Many Parties identified conditions for the full implementation of their INDCs
 - Related to enhanced financial resources including TT and CB. Some Parties provide very specific figures others only general need for support.
 - the level of effort undertaken by other Parties
 - the availability of and access to market-based mechanisms.
- How will these conditions be taken into account in the assessment of progress with targets?
 - 1st step: assess whether mitigation target was met? If not, start 2nd step and assess whether conditional elements were fulfilled.
 - Assess progress with mitigation target and conditions in parallel based on what Parties report on conditional elements?

Accounting of the land-use sector I



- Accounting guidance need to address many different approaches chosen

Accounting of the land-use sector

Accounting issues that have been addressed in existing approaches under Convention or Kyoto Protocol will continue to be relevant

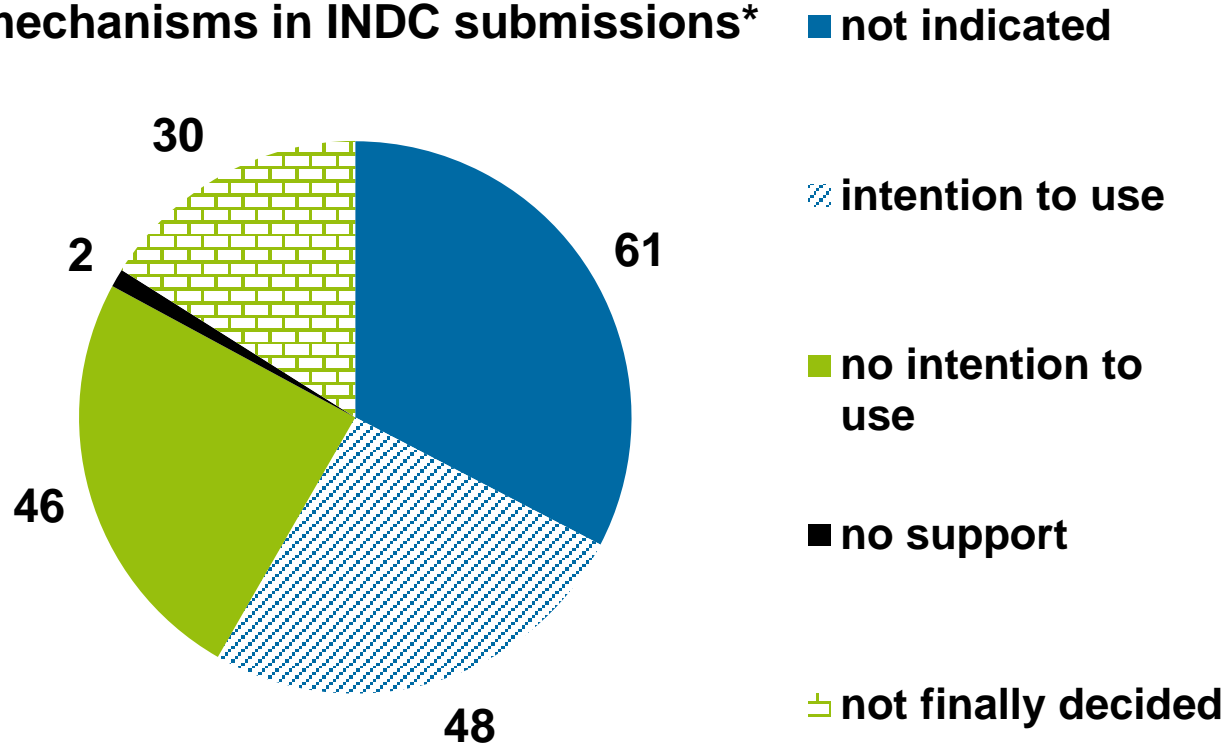
- Forest reference levels
 - Accounting for natural disturbances
 - Accounting for harvested wood products
 - Activity vs land-based accounting
 - Guidance related to REDD+
- ⇒ How to draw from existing approaches under the PA?

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What elements of the submitted NDCs only work if there is a accounting guidance?

Use of international market mechanisms under Art. 6

Use of international market mechanisms in INDC submissions*



* 187 INDC submissions, 12 April 2016 without Iraq (Arabic) and Pakistan (indication of later submission)

Avoidance of double counting and ensuring environmental integrity with the use of market mechanisms under Article 6 only works with accounting guidance

Accounting – challenges related to market-based approaches from an MRV perspective

Double counting: a GHG emission reduction or removal is counted more than once towards attaining mitigation targets.

Under Paris Agreement:

A GHG emission reduction/removal unit issued from GHG emissions/removals covered by an NDC of a Party to the PA

A unit accounted towards meeting an NDC of a Party to the PA

Challenges:

Which GHG emissions/removals are covered by an NDC?

- Clear related to coverage of gases, many NDCs not clear related to coverage of source/ sink categories
- Can countries with non-quantified NDCs issue quantified credits that are sold and used towards meeting a quantified NDC?

Multitude of fragmented mechanisms and crediting schemes:
How can a selling Party know whether a unit sold will be accounted towards mitigation targets under the PA or used for other purposes?

Inconsistent baselines

- For crediting mechanisms different baselines may be chosen at project, regional, programme or policy level based on different assumptions than for national target
- ⇒ Using different baselines, the accounted emission reductions/removals in NDCs will not be the same as accounted emission reductions / removals from crediting mechanisms, even when they are resulting from the same activity
- ⇒ Principle of „a ton is a ton“ will not apply
- ⇒ How can we account for emission reductions in a coherent way when the emission reductions are not comparable?

Different monitoring and estimation methodologies

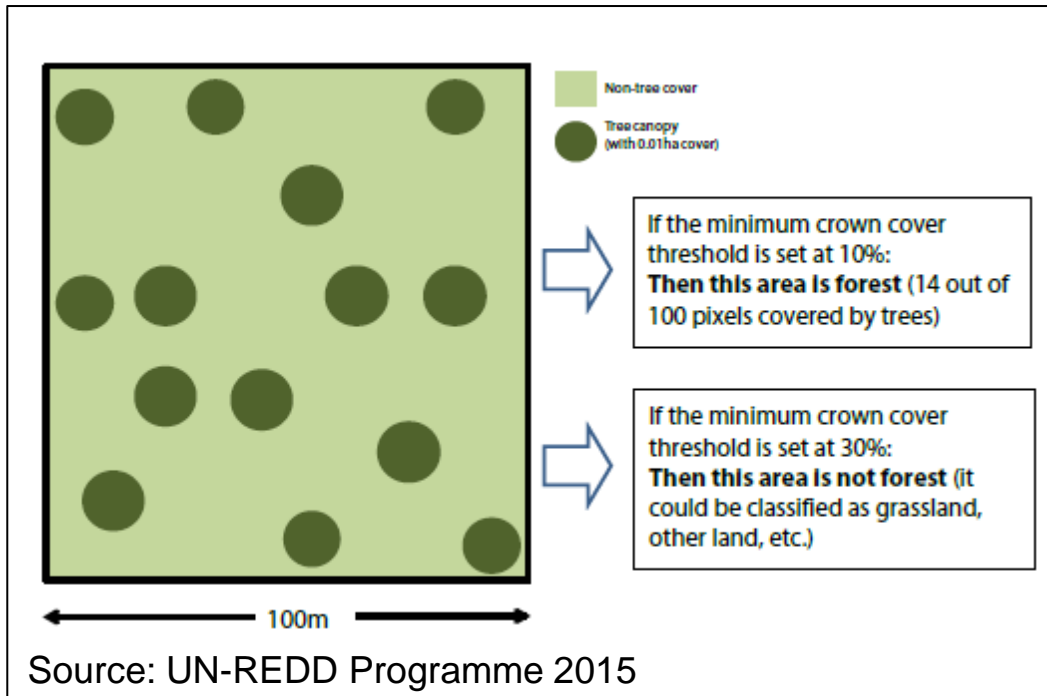
- More precise AD in cap-and-trade systems and crediting activities than in GHG inventories (e.g. plant/ installation specific data, forest data)
- Measured EFs or other estimation parameter in projects or trading systems
- Different GWPs in inventory and crediting activities
- ⇒ difficult to reconcile emission reductions from market-based approaches with emissions estimated in GHG inventory
- ⇒ If country would add an equivalent amount of emissions when emission reduction units are sold, the amount is likely to be higher or lower than the emission reduction accounted in the inventory.

Inconsistent definitions

Example:

GHG inventory and REDD+ reference level use forest definition of 30% minimum crown cover

Crediting activities use forest definition of 10% minimum crown cover



Inventory accounts areas as deforested whereas crediting project still issues units for avoided deforestation on the same area.

Use of international market mechanisms

- Considerable challenges related to a consistent MRV approach for the national target and any crediting activities for emissions reductions that are covered by the national target and any crediting activities
- Simple option: only sell units from sources/ sectors not covered by the NDC ⇒ not chosen by most countries that want to use market mechanisms

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What are the key areas that accounting guidance should encompass?

Key areas for accounting guidance

- Guidance related to reference levels
- Guidance to avoid double accounting of the use of market mechanisms and that lays down how units from market mechanisms are counted in the assessment of the target fulfillment
- Guidance related to land-use sector
- Guidance related to how conditions are taken into account in assessment of achievement of conditional NDCs
- How to draw from existing approaches as we develop the accounting guidance?

Key areas for accounting guidance

- Further elaboration of individual elements outlined in para 31 of decision 1/CP.21 (methodological guidance, common metrics)
 - Adopt IPCC GHG methodologies and common metrics
 - Methodological consistency between reference level and actual emissions
 - Strive to include all categories of emissions and removals in NDCs
 - Provide explanations why categories are excluded

Thank you for your attention!

Do you have any questions?



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