


A Credible System for Enhancing Effectiveness and Reducing Risk

UNFCCC AWG-LCA Workshop on A Framework for Various Approaches
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Summary

1. The Case for Enhancing Effectiveness
2. The Case for Reducing Risk
3. How Can a Credible System Support a Framework that Enhances Effectiveness and Reduces Risk?
4. Tools in the Toolkit




The Case for Enhancing Effectiveness

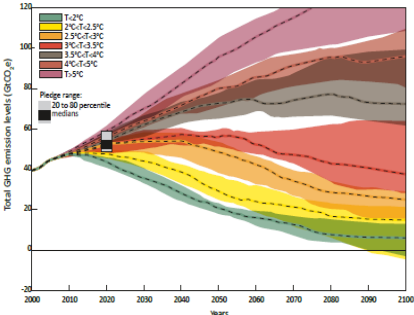

The Participation Gap




Percent of global emissions limited by the binding targets of a KP2



Can effectiveness be enhanced by shifting from targets to pledges?

Percent of global emissions covered by Copenhagen Pledges



Source: UNEP Ambition Gap Report, 2011

Reducing Risk: What does experience with pledges tell us?

- UNFCCC Annex I Parties “aimed” to return their emissions to 1990 levels by 2000.
- From 1990 to 2000:
 - All Annex II Parties ratified the UNFCCC aim.
 - **Annex II Parties’ emissions increased by 8%.**
 - Non-Annex I Parties’ emissions increased by 36%.

Source: http://unfccc.int/files/na/application/pdf/sci_info.pdf



Reducing Risk: Is a Shift from Pledges to Binding Targets Enough?

- Virtually All Kyoto Protocol Annex B Parties Are Likely to Meet their Binding Commitments
 - But the U.S. did not ratify Kyoto
 - And there’s the Curious Case of Canada, which withdrew from Kyoto after adopting a domestic implementation scheme doomed to fail
- Can a UN Framework Reduce Risks of Non-Participation and Non-Compliance?



Lessons Learned

- Pairing strong quantitative limits with flexibility for emitters can reduce emissions cost-effectively;
- Market approaches can be more effective and cost-effective than non-market approaches
- There are many ways to get started:
 - Start on basis of ex-ante verified emissions and benchmarks: EU ETS Phase II; California
 - Gradual start: EU ETS Pilot Phase, Quebec, Australia, New Zealand
 - Successive rolling multiyear caps best, with regular review of objective (science) and process for adjusting caps
 - No “banking”? → no innovation, skyrocketing price: **Cap and Trade** **NOx**
 - Offer credit for early action or premium for early movers (overall net reductions)
 - Avoid low price caps (Canada example)



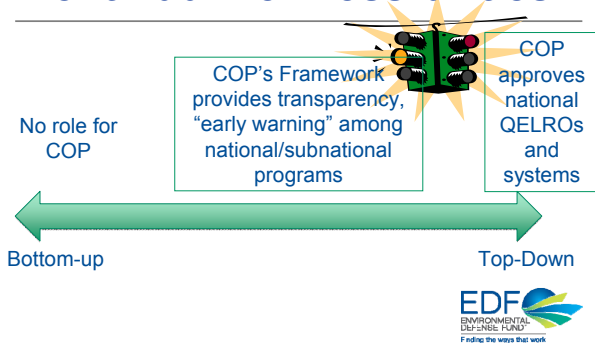
The Minimum Elements

To realize real, permanent, additional and verified mitigation outcomes, avoid double counting, and achieve a net decrease and/or avoidance of GHG, Parties should first focus on the minimum elements:

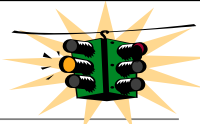
1. Transparent accounting for total emissions and sequestration
2. Caps on total (absolute) emissions:
 - National emissions, or on the emissions of one or more sectors or political sub-units; **binding internationally or domestically**
3. Caps premised on historical emissions data, not BaU
4. Fungibility of tradable units: a tonne is a tonne; cross-border compliance
5. Transparent tracking and reporting of units and transactions
6. Accountability & Consistency are crucial to investor confidence



UNFCCC Framework? A Continuum of Possibilities



A New Framework: Roles for the COP

- 
- Each Party retains its sovereign prerogatives to design its own approaches (some oppose possibility of CoP regulation of subnational programs)
 - Potential Roles for CoP, if Parties so choose:
 - Craft a framework that provides durable standards for ensuring transparency and integrity while refraining from attempting direct regulation of domestic approaches
 - Enhance effectiveness by supporting and fostering innovation while reducing risks of non-compliance and non-participation
 - Provide cautions if transparency or integrity are in doubt, so that Parties can take appropriate measures



A Credible System: Tools in the Toolkit for the UNFCCC

- 1) Emissions Registries**
 - National communications play crucial transparency role
- 2) Registry of Actions**
 - NAMAs for Finance
 - Clearinghouse for MRV reports (sectoral/national)
 - Credited NAMAs will likely not occur as such, because in order to generate credits, NAMAs must generate net reductions (beyond CDM), with thorough MRV of all emissions in sector and measures to prevent leakage
- 3) Registries for Cap & Trade Markets**
 - On request of a Party, UNFCCC registry could provide transparent tracking of emissions, units and transactions for that Party, or
 - UNFCCC could serve as information hub for other registries
- 4) Principles**
 - Transparency
 - Net decrease and/or avoidance of GHG
 - Avoid double counting, ensure tonne-is-a-tonne



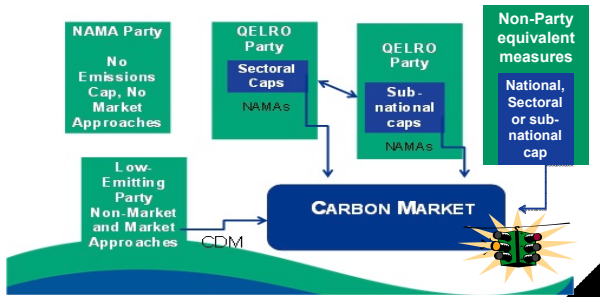
Tools in the Toolkit, cont'd.: COP- or Party-Driven Standards

- Market mechanisms reserved for Parties with domestically or internationally binding QELROs (national/ partial/sectoral)
 - Transition time for low-emitting Parties
- National caps and linked Cap+Trade best option
- Sectoral Cap+Trade second best
 - Adhere to MRV Rules; May use benchmarks for allocations
- Credit for Early Action
- REDD+ as new market mechanism
- Banking or Saving Emissions Budgets – a finance tool too
- Rigor, transparency for offsets from QELRO Parties
- Trade with non-Parties/jurisdictions that adopt equivalent measures
- Anti-circumvention standards

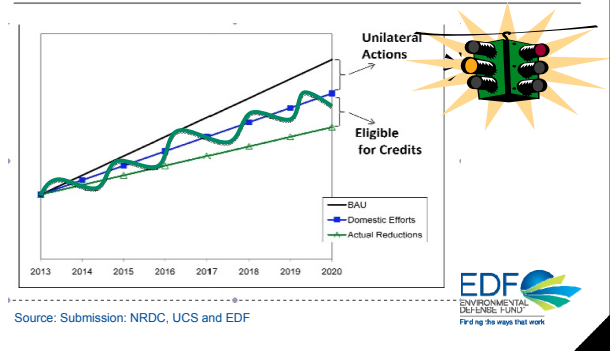


A Credible System, in Action

Various Approaches - Non-Market, Market, and New Market Mechanisms



An Example of the System in Action: Sectoral Crediting



Conclusion

1. There is a Strong Case for Enhancing Effectiveness and Reducing the Risks of non-Participation and non-Compliance
2. Since Parties are Unlikely to Cede to the COP Broad Control over National Programs, a Credible UNFCCC Framework Can Best Help by Focusing on Fundamentals, Especially Transparency
3. There are Many Tools in the Toolkit



Thank You!



To continue the discussion, contact:
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