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Joint submission on the elaboration of the possible design and operation of a framework (FVA)

THE CMIA, PDF and D&IA, collectively welcome the opportunity to submit our views on the Framework for Various Approaches.

We are of the opinion that central to the development of the FVA is the clear understanding that the FVA is not simply a platform for sharing ideas, but one that considers either legally binding caps or the clear establishment of additionality¹, as being core to environmental integrity and makes qualitative decisions on that basis, as to which units or outcomes arising from market and non-market approaches are eligible for international transfer and consideration in meeting emissions contributions from the parties.

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¹ Meaning the clear establishment of the additional nature of efforts and results

(a) Meet standards that are comparable to standards under the UNFCCC;

The Role for FVA

It is assumed that the key element of comparability is that standards have equivalent or higher environmental integrity as those under the UNFCCC. In the case of emissions reduction units it is further assumed that the purpose of this comparison is to determine which approaches give rise to emission reduction units that are valid for the purpose of parties complying with obligations, commitments and pledges under the UNFCCC and its associated protocols.

This can be achieved by the creation of FVA assessment frameworks covering *inter alia* eligibility criteria, a methodology² assessment framework that can be applied to determine if a clearly defined action or programme can give rise to emissions reduction units or outcomes that are valid for the purpose of parties complying with obligations, commitments and pledges under the UNFCCC and its associated protocols, and a registries standard that ensures that units are tracked from creation to use and comprehensively addresses risks such as multiple counting of emissions reductions.

The application of the FVA methodology assessment framework avoids the need for a centralised project by project approval process to the exclusion of all other approaches. This has the key advantage that it allows parties greater flexibility taking into account their differentiated national circumstances.

This shall be applied to both UN and exogenous standards that parties or stakeholders submit for consideration.

Scope

Central to the creation of a standard for methodologies is the consideration of when the standard would need to be applied.

The FVA methodology assessment framework would only need to be applied if 4 conditions are met.

- 1) There is no adjustment in the emissions inventory between the country of origin and the country of use that deducts a unit from the inventory of the country of origin by adding an equivalent volume to the country of origins emissions profile and adding a unit to the inventory of the country of use or equivalent accounting approach that balances emissions across territories to avoid double or multiple counting of emissions reductions.
 - a. In the absence of this ability or an accounting measure that avoids double counting for e.g. KP style inter territorial emissions bubbles achieve this, then the methodology framework would need to be applied.
 - b. In the event that an emissions allowance is transferred between parties and outside of an emissions bubble or equivalent measure and the allowance is used for the

² *Methodology – The formal set of rules for calculating and issuing emissions reduction units.*

purposes of the UNFCCC and its protocols, then a compensating equivalent adjustment to the country of origins emissions inventory must take place³.

- 2) Emission reduction units cannot be used for the purposes of the UNFCCC and associated protocols in their country of origin, as the emissions reduction will already be reflected in the country of origins emissions profile.
- 3) Only emissions reduction units created and held within registries that conform with the registry requirements outlined under section (c) shall be used for the purposes of the UNFCCC and its protocols.
- 4) Only in the event that emissions reduction units are used directly for the purposes of the UNFCCC and associated protocols shall it be necessary to consider applying the FVA methodology assessment framework. Regional, national and subnational actions where the effect of the emissions reduction is what is accounted for rather than the units themselves are outside the scope of the FVA and its assessment frameworks.

(b) Meet the standards referred to in decision 2/CP.17, paragraph 79, and decision 1/CP.18, paragraph 42;

The FVA methodology assessment framework shall be developed to 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;

FVA and Accounting

As mentioned above, a core principle for avoiding double or multiple counting is that emission reduction units cannot be used for the purposes of the UNFCCC and its associated protocols in their country of origin, as the emissions reduction will already be reflected in the country of origins emissions profile.

Secondly the scope defined in section (a) requires that there is the ability to adjust the emissions inventory between the country of origin and the country of use by deducting a unit from the inventory of the country of origin and adding a unit to the inventory of the country of use, as was done under Joint Implementation. In the absence of this ability then the scope would need to be expanded to include methodologies giving rise to all units used for the purposes of the UNFCCC and associated protocols that are moving between territories or emissions bubbles.

Beyond these considerations and those outlined in the scope, on a practical level emissions registries shall be central to accounting for emissions reductions.

³ This is based on the assumption that the parties involved have measures in place to ensure the underlying environmental integrity of emissions reduction units produced is of an equivalent or higher standard than would be required under the proposed methodology and registry frameworks.

We would therefore propose the creation of an FVA registries standard with the aim of:

- 1) Avoiding double or multiple counting of emissions reductions
- 2) Establishing provenance and conformity of the underlying methodologies with the FVA methodology assessment framework
- 3) Establishing legal title and the ability to track transfer of such title
- 4) Ensuring the ability to comprehensively track units from the point of creation to the point of use, where they will be deleted from all compliant registries and shall not be used for any other purpose both within and exogenous to the UNFCCC and its protocols.
- 5) Subject to agreed eligibility criteria outlined in section (d) ability of parties, non-parties and stakeholders to open and operate accounts on the registries.

(d) Allow for participation, including through possible eligibility criteria;

By allowing for a diverse range of mechanisms to be used the approach suggested will ensure broad participation both in terms of geography, technology, and sectors.

Eligibility to participate in the mechanisms covered by the FVA should be open to all stakeholders.

(e) Provide co-benefits, including, but not limited to, their contribution to sustainable development, poverty eradication and adaptation;

All environmentally sound ghg emissions reduction and climate change adaptation projects have a significant element of co benefits. Whilst this is clearly attractive and in some cases may represent additional value for the host nation by for example improving water and or air quality, providing employment, any assessment should bear in mind that these are not the core purpose of mitigation or adaptation under the UNFCCC, which is to limit climate change as agreed in Cancun, to no more than 2 degrees Celsius and help affected nations, adapt to the considerable environmental changes that 2 degrees of warming is widely anticipated to precipitate.

It is important to recall that projects that reduce greenhouse gas emissions without harming the local environment are *de facto*

- 1) contributing to sustainable development, by helping to avert climate change
- 2) helping to eradicate poverty by driving investment into local infrastructure and providing local employment.
- 3) contributing to adaptation, by facilitating the move to a low carbon pathway which is an essential feature of adapting to a carbon constrained world.

In order to promote the long term sustainability of policies and actions under the FVA, it is suggested that no activity, programme, project or policy be recognised under the FVA if to do so would contradict the ultimate aims of Article 2a(v) of the Kyoto Protocol, further it suggested that the

requirement of compliance with the ultimate aims of Article 2a(v) be fully integrated into the FVA, recognising that the FVA shall not give rise to subsidies that contradict the ultimate aims of Article 2a(v) of the Kyoto Protocol.

(f) Have effective institutional arrangements and governance;

Central to the creation of necessary institutional and governance structures should be the separation of powers.

This would involve a policy body to set the direction of policy, an executive to implement policy and an appeals body to allow for due consideration of decisions and possible amendment.

Within the context of the UNFCCC we would suggest utilizing existing structures as far as possible. Namely the COP is the policy setting body, the UNFCCC secretariat is the implementing body and the appeals body is appointed by the COP.

Recognising that the COP is only in session annually, recognising that annual policy guidance may be insufficient, the COP shall appoint a fulltime FVA policy body that is under the guidance of the COP.

The FVA policy body shall decide policy issues only. It will not have the authority to implement those decisions, nor reverse the decisions of the secretariat in implementing policy. Before commencing any other work as the first order of business the FVA policy body shall agree and implement voting procedures to resolve issues where consensus cannot be reached. The procedures shall be established on the basis that one member of the policy body has one vote. In order for an issue to be voted upon 20% or 2 members, whichever is greater, of the policy body must agree that consensus cannot be reached.

Should the policy making body feel that a decision of the secretariat requires amendment and after discussion with the secretariat the secretariat maintains that its position is correct the policy body may refer the decision to the appeals body for consideration.

The FVA secretariat drawn from the secretariat of the UNFCCC will implement the policy set by the FVA policy body. In doing so they will work under the authority of the FVA policy body to create and implement the FVA methodology assessment framework and the FVA registries standard. The secretariat will be solely responsible for the implementation of the FVA methodology assessment framework and the FVA registries standard.

The FVA appeals body shall be appointed by the FVA policy body and shall be composed solely of individuals who have extensive previous professional experience of making decisions on appeals and or arbitration bodies. Allowing for the required experience the appointments to the appeals body should seek to reflect the diverse nature of the stakeholders who will be affected by decisions of the FVA secretariat and should seek to ensure appropriate ethnic, geographical, and gender balance.

The COP shall request the SBSTA to address issues including scope of appeals that the FVA appeals body may hear and standing before the appeals body.

(g) Relate to international agreements.

The FVA methodology assessment framework and registries assessment framework shall be applicable to all agreements under the UNFCCC and its associated protocols.

In the event that a parallel international agreement to which the affected parties to the UNFCCC and its associated protocols are also parties mandates action to reduce greenhouse gas emissions the FVA secretariat will consider the following.

- 1) Does the application of the alternative agreement render any affected methodologies non additional by for example mandating action where no mandate existed before..
 - a. In this event emissions reduction units created by affected methodologies on and after the date of the implementation of the alternative agreement shall no longer be usable for the purposes of the UNFCCC and its associated protocols.
- 2) Does the application of the alternative agreement influence the baseline of any affected methodologies?
 - a. In this event the baseline of the affected methodologies shall be adjusted on the date of the implementation of the alternative agreement or the methodologies will be deemed to no longer be in compliance with the FVA methodology assessment framework.