

Canada's submission on APA Item 3

**Features, up-front information & accounting  
for Nationally Determined Contributions (NDCs)**

March 2017

Canada is pleased to present its views on further guidance in relation to the mitigation section of 1/CP.21, taking into account the questions presented in the co-facilitators' reflection note following COP22.<sup>1</sup> This submission builds on Canada's September 2016 submission on Item 3 of the APA agenda,<sup>2</sup> based on the mandate established by paragraphs 26, 28 and 31 of the mitigation section of 1/CP.21.

### **Item 3(a): Features of NDCs**

'Features' is a commonly used term referring to the design characteristics of NDCs. Parties adopted several features for NDCs in paragraphs of Article 4 of the Paris Agreement and in the mitigation section of Decision 1/CP.21. Depending on the wording of relevant paragraphs in the Agreement and Decision, some features are mandatory while others are optional characteristics that Parties may wish to consider at their discretion. Guidance under this sub-item should provide further clarity on parameters and options, where appropriate, for policymakers in developing and updating their Parties' NDCs.

The features contained in Article 4 of the Agreement include, *inter alia*, the requirements for "clarity, transparency and understanding" (CTU) and "accounting".<sup>3</sup> Decision 1/CP.21 specifically requested that the APA develop guidance on these two features, which became sub-items 3(b) and 3(c) respectively.<sup>4</sup> Two other features of NDCs also have dedicated agenda items: the NDC Registry under Article 4.12 (SBI Item 5) and common timeframes under Article 4.10 (to be considered at SBI 45).<sup>5</sup>

Sub-item 3(a) of the APA is a space to discuss further guidance for the remaining features of NDCs that do not otherwise have dedicated agenda items.<sup>6</sup> These 'general' features include, for example: communication of successive NDCs; achievement through mitigation measures; moving towards economy-wide emission targets; reflecting a Party's highest possible ambition in light of different national circumstances; representing a progression of ambition from previous NDCs; and the option to voluntarily adjust NDCs with a view to enhancing ambition, etc.

Canada looks forward to engaging with all Parties under sub-item 3(a) of the APA in order to elaborate further guidance on the general features of NDCs, where appropriate. In particular, Canada seeks further guidance to help Parties show clearly that each NDC contributes to the peaking and rapid decline of global emissions, with a view to achieving the long-term temperature goal under Article 2.

### **3(b) - Information for CTU of NDCs**

Article 4.8 of the Paris Agreement requires Parties to provide the information necessary for clarity, transparency and understanding of their NDCs. The core purpose of this mandatory feature is to reduce the ambiguity of Parties' mitigation contributions, so that Parties have clear reference points against which to track their progress and account for their achievements. Some other benefits of CTU include measuring the aggregate global ambition, building mutual trust between Parties and sending clear signals that mobilize actors and stakeholders involved in converting NDCs into policies and measures.

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<sup>1</sup> Available on the UNFCCC web page for COP22 ([link](#)).

<sup>2</sup> Available on the UNFCCC Submission portal for APA 1–2 ([English](#)) ([Français](#)).

<sup>3</sup> See Articles 4.8 and 4.13, respectively.

<sup>4</sup> Para. 28 and 31 of 1/CP.21.

<sup>5</sup> See FCCC/PA/CMA/2016/3, para. 24.

<sup>6</sup> See para. 26 of 1/CP.21

Decision 1/CP.20 provided a list of possible information for the CTU of intended NDCs (iNDCs).<sup>7</sup> The list was both voluntary and non-exhaustive (“as appropriate, *inter alia*”) given that the call for iNDCs in 1/CP.20 was non-binding.<sup>8</sup> The Paris Agreement later enshrined the principle of CTU into binding language in Article 4.8, but the associated paragraph of decision 1/CP.21 did not further clarify what types of information would be sufficient to satisfy this requirement.<sup>9</sup> The purpose of further guidance, therefore, is to clarify the information requirements under Article 4.8 so that Parties can uphold them in their new and/or updated NDCs.<sup>10</sup>

The Paris Agreement encourages Parties to move toward economy-wide absolute emission reduction or limitation targets as their NDCs, if they have not already done so.<sup>11</sup> With respect to Parties that have not yet done so, some observers have grouped their NDCs into general categories or “types”, for example: intensity targets (per capita or per GDP), deviation from business-as-usual scenarios, sector-specific targets, and qualitative policies and measures.

Canada proposes that these “NDC types” should be understood as ‘examples’ or ‘ideal-types’ of NDCs that are constructed of different ‘variables’ such as base years, business-as-usual baselines, reference points, measures of intensity, etc. The guidance would then describe the information necessary for CTU of each variable, so that the complete set of guidance would reflect the full diversity of NDCs without constraining any Party’s national determination in choosing the appropriate variables for its own NDC.

As a next step, Parties should create a list of NDC variables and undertake technical work to identify what quantitative and/or qualitative information, as appropriate, is necessary for CTU of each variable.

### **3(c) - Accounting for NDCs**

Accounting is the quantitative comparison between a set of **results** and the corresponding **objectives**, for the purpose of **tracking progress** and **assessing achievement**. Accordingly, the Paris Agreement requires Parties to account for their emissions and removals (results) corresponding to their NDCs (objectives).<sup>12</sup> The purpose of accounting is to assess whether a Party’s mitigation measures under Article 4.2 were sufficient to achieve, or are on track to achieve, the intended objectives of its NDC. Each Party must regularly report the outputs of this exercise in the enhanced transparency framework, consistent with Article 13.7(b). The aggregate output from all Parties would then inform the tracking of collective mitigation progress under the global stocktake.

Drawing from existing methods and guidance under the Convention as appropriate, including the Kyoto Protocol, while upholding the principles of Article 4.13 and paragraph 31 of 1/CP.21, Canada proposes the following framework to organize accounting activities for NDCs under the Paris Agreement:

#### ***When to account***

Accounting activities should take place, as appropriate, in three stages: (i) at the beginning of the NDC timeframe, (ii) on a regular basis throughout the timeframe, and (iii) as soon as feasible following the target year(s); namely, when data on emissions, removals and the use of ITMOs become available for the full NDC timeframe (e.g. in 2032, for NDCs that have 2030 as their target year).<sup>13</sup>

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<sup>7</sup> Para. 19 of 1/CP.20

<sup>8</sup> Para 18 of 1/CP.20

<sup>9</sup> Rather, para. 27 of 1/CP.21 merely repeated that Parties may include, as appropriate, the items from 19 of 1/CP.20.

<sup>10</sup> Para 24–25 of 1/CP.21

<sup>11</sup> Paris Agreement, Article 4.4

<sup>12</sup> Paris Agreement, Article 4.13.

<sup>13</sup> These accounting stages draw on the practice established by the Kyoto Protocol, which included accounting guidance for (i) “initial reports”, (ii) “annual reports” and (iii) “end-of-commitment period reports”. See Decisions 13/CMP.1 and 15/CMP.1.

## **How to account**

As illustrated in Annex A below, the guidance should organize Parties' accounting activities into three streams:

1. **Objective:** Operationalizing NDC variables to clarify what the Party intends to do
2. **Result:** Measuring mitigation outcomes to show what the Party is doing and has done
3. **Achievement:** Comparing results against objectives to determine achievement of NDC

**In the Objective Stream**, each Party operationalizes its NDC by assigning quantitative values to the variables they used to construct it (e.g. base year emissions levels, business-as-usual scenarios, etc.) These values allow the Party to calculate an "Objective Indicator" that, if realized, would indicate achievement of its NDC's objectives under Article 4.2. In most cases, the Objective Indicator would be an estimate of the intended target-year emissions in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>eq). This estimate may be updated periodically as the values for each variable evolve, provided that methodological consistency is maintained and ambition is not reduced.<sup>14</sup>

In the **Result Stream**, each Party calculates and reports its overall "Result Indicator", at regular intervals as per Article 13.7(b), taking care to ensure methodological consistency with its Objective Indicator.<sup>15</sup> The Result Indicator would typically be a quantitative figure comprising the national greenhouse gas inventory data for all sectors and gases covered by the Party's NDC, including net anthropogenic emissions and removals from the land sector, if applicable. It would also take into account net adjustments for Internationally Transferred Mitigation Outcomes (ITMOs), as appropriate.

In the **Achievement Stream**, Parties compare their Objective and Result indicators in order to determine whether they have achieved, or are on track to achieve, the objectives of their NDC. In the initial stage, each Party compares its initial-year results to its Objective Indicator and explains its intended accounting approach in detail. In each subsequent report under Article 13.7(b), the Party tracks the progress of its results toward the objective of its NDC, and reports regularly on the remaining emissions gap. In the final accounting stage, the Parties would show to what extent they achieved, or partially achieved, their intended contributions under Article 4.2.

At each stage in each stream, Parties will need to explain how they put their accounting into practice, including all calculations and re-calculations; how they derived each iteration of their Objective and Result indicators; and how they compared these indicators to measure progress and/or achievement.

## **Going forward**

Canada proposes that the first iteration of the guidance, to be adopted in 2018, should give confidence to policymakers that their NDCs and accounting activities comply with the rules and principles of the Paris Agreement as well as the mitigation section of 1/CP.21. Subsequent updates to the guidance could address any outstanding gaps and/or make further incremental improvements, based on insights from collective review processes such as the 2018 Facilitative Dialogue and 2023 Global Stocktake.<sup>16</sup>

As a next step, Canada would recommend that Parties adopt a calendar of technical work with a view to circulating possible elements of draft guidance text by the end of 2017. A sample outline of the guidance for Item 3 of the APA, for discussion purposes only, is provided in Annex B below.

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<sup>14</sup> See para. 31(b) of 1/CP.21 and Paris Agreement Articles 4.3 and 4.11

<sup>15</sup> If a Party wishes to improve its accounting approach during the NDC timeframe, it must apply any recalculations to both the Objective and previous iterations of the Outcome in order to ensure methodological consistency. See 1/CP.21, para. 31(b).

<sup>16</sup> See, respectively, paragraph 20 of 1/CP.21 and Article 4.9 of the Paris Agreement

## Annex A: Key Elements of the Accounting Framework

Accounting stages	Accounting Outputs		
	Objective Indicator (A function of NDC variables)	Result Indicator (Inventory + Lands + ITMOs)	Achievement Indicator (Objective – Result)
<b>Initial Report</b> (at the beginning of the NDC timeframe)	<b>Initial estimate</b> and calculations used to derive it	<b>Initial-year result</b> and calculations used to derive it	<ul style="list-style-type: none"> <li>• “Starting point” or <i>status quo</i></li> <li>• Initial emissions gap</li> <li>• Description of intended accounting approach</li> </ul>
<b>Update reports</b> (regularly, as per Article 13.7b)	<b>Revised estimate</b> and recalculations used to derive it	<b>Most recent year result</b> and calculations used to derive it	<ul style="list-style-type: none"> <li>• Progress from <i>status quo</i></li> <li>• Remaining emissions gap</li> <li>• Description of current accounting approach</li> </ul>
<b>Final report</b> (after the end of the timeframe, when data becomes available)	<b>Final Objective Indicator</b> and final calculations used to derive it	<b>Final Result Indicator</b> and calculations used to derive it	<ul style="list-style-type: none"> <li>• Statement of achievement or final emissions gap</li> <li>• Description of final accounting approach</li> </ul>

## Annex B: Possible outline for guidance under Item 3 of the APA

### A. Features of NDCs

- A.1. Showing contribution to emissions peak and rapid decline (Art. 4.1) [APA Item 3(a)]
- A.2. Reflecting highest possible ambition in light of different national circumstances (Art. 4.2) [APA Item 3(a)]
- A.3. Representing a progression of ambition from previous NDCs (Art. 4.3) [APA Item 3(a)]
- A.4. Moving toward economy-wide absolute targets (Art. 4.4) [APA Item 3(a)]
- A.5. Enhancing contributions under certain conditions (Art. 4.5) [APA Item 3(a)]
- A.6. Considering common timeframes (Art. 4.10) [Item TBD at SBI 45]
- A.7. Clarifying/adjusting NDCs with a view to enhancing ambition (Art. 4.11) [APA 3(a)]
- A.8. Recording NDCs in the Public NDC Registry (Art. 4.12) [SBI Item 5]

### B. Information for clarity, transparency and understanding [APA Item 3(b)]

- B.1. Information on variables common to all NDCs
- B.2. Information on variables that are used in some NDCs
- B.3. General information necessary for the clarity, transparency and understanding of NDCs

### C. Accounting for NDCs [APA Item 3(c)]

- C.1. Guidance on general principles, building on para. 31 of 1/CP.21
- C.2. Accounting Framework (See Annex A above)
  - C.2.1. Initial report
  - C.2.2. Update reports
  - C.2.3. Final report