



# Australian Government

## Submission on further guidance in relation to the mitigation section of decision 1/CP.21

April 2017

Australia welcomes this opportunity to share views on further guidance in relation to the mitigation section of decision 1/CP.21. This submission addresses **accounting** for Parties' nationally determined contributions (NDCs) relating to APA agenda item 3(c). Issues relating to **features** and **information to facilitate clarity, transparency and understanding (ICTU)** of NDCs relating to APA agenda items 3(a) and 3(b) are addressed in a separate submission<sup>1</sup>. In preparing for this submission, we have taken into consideration guiding questions provided by co-facilitators<sup>2</sup>. This submission builds on previous views Australia has expressed on this issue<sup>3</sup>.

Guidance for accounting is a key element of the Paris accountability framework to build mutual trust and confidence among Parties. A credible accountability framework is foundational to driving necessary public and private investment. It will be important to accelerate the work on this item in order to see its completion by CMA1 at COP24, as mandated.

### UNDERSTANDING OF, AND PURPOSE FOR, ACCOUNTING

Accounting refers to the comparison of mitigation outcomes against contributions nominated in NDCs. The purpose of accounting guidance is to enable Parties to **demonstrate** progress toward their NDCs in accordance with agreed requirements under Article 4.13 of promoting environmental integrity, transparency, accuracy, completeness, comparability and consistency, and ensuring the avoidance of double counting. This will:

1. Build confidence and trust between Parties, and for investors, in the integrity of mitigation efforts achieved.
2. Support the tracking of progress made in implementing and achieving NDCs under the transparency framework.
3. Support the assessment of collective progress toward agreed goals through the Global Stocktake.
4. Underpin the integrity of cooperative approaches under Article 6, for those wishing to use them.

In order to achieve these goals, accounting guidance should comprise two elements:

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<sup>1</sup> [http://www4.unfccc.int/Submissions/Lists/OSPSubmissionUpload/261\\_321\\_131357642219580657-AUSTRALIA-APA%20Mitigation-Apr-2017.pdf](http://www4.unfccc.int/Submissions/Lists/OSPSubmissionUpload/261_321_131357642219580657-AUSTRALIA-APA%20Mitigation-Apr-2017.pdf)

<sup>2</sup> [http://unfccc.int/files/meetings/marrakech\\_nov\\_2016/in-session/application/pdf/informal\\_note\\_item3\\_v2.pdf](http://unfccc.int/files/meetings/marrakech_nov_2016/in-session/application/pdf/informal_note_item3_v2.pdf)

<sup>3</sup> [http://www4.unfccc.int/Submissions/Lists/OSPSubmissionUpload/261\\_279\\_131219392499465763-Australia%20UNFCCC%20Sub%20Mitigation%20Final%20.pdf](http://www4.unfccc.int/Submissions/Lists/OSPSubmissionUpload/261_279_131219392499465763-Australia%20UNFCCC%20Sub%20Mitigation%20Final%20.pdf)

1. Facilitative **principles and technical guidance on how accounting is undertaken**, in order to operationalise requirements under Article 4.13. Decision 1/CP.21 Paragraph 31 (a) to (d) provides some basic requirements and a mandate to elaborate further guidance.
2. Guidance to Parties on the **information to be reported, to track progress toward achievement of NDCs**, as required under Article 13.7(b), in accordance with the principles and technical guidance agreed above.
  - a. This information relating to accounting will be a key input to the Paris Agreement transparency framework, noting that information requirements under Article 13.7(b) are broader than the elements discussed here.
  - b. It may also inform the information required to facilitate transparency, clarity and understanding of NDCs as discussed under APA item 3(b).

These elements are necessary to promote environmental integrity, transparency, accuracy, completeness, comparability and consistency and the avoidance of double counting.

Accounting guidance is intended to facilitate the functions of the Paris Agreement and should not re-negotiate agreed elements of the Paris Agreement, or undermine the nationally determined nature of contributions.

#### **PRINCIPLES AND TECHNICAL GUIDANCE**

Parties' accounting toward NDCs should be performed in a manner consistent with agreed principles and technical guidance that operationalises requirements under Article 4.13.

Parties have expressed a number of **areas** where accounting guidance could be developed. Australia proposes the following areas should be explored as a starting point as they address basic issues applicable to the range of NDC types:

1. **General integrity principles** for accounting – these principles would apply to all accounting issues and should include, inter-alia, elaboration of Decision 1/CP.21 Paragraph 31 (a) to (d).
2. **Clear definition of covered sectors, categories and gases** – including the requirement to show how nominated sectors and categories are defined with respect to inventory reporting sectors and categories, in accordance with the requirement under decision 1/CP.21 paragraph 31(a) to account for anthropogenic emissions and removals in accordance with IPCC methodologies.
3. **Principles and facilitative guidance for the construction, comparison against, and update of base years, baselines and reference levels, as appropriate** – including for sectoral base years, baselines and reference levels used as a component of an NDC.
4. **Land sector issues** – principles and facilitative guidance for the addressing land-sector specific issues where not already addressed in one of the above areas.
5. Guidance relating to **Internationally Transferrable Mitigation Outcomes** that are not addressed under Article 6.

A draft decision for accounting guidance could contain the general integrity principles referred to under point 1 above, with further elements under points 2 to 5 contained in a technical annex.

We emphasise guidance is intended to be facilitative. It should not undermine national determination, nor be used to prescribe specific mitigation action.

Following experience with implementation, Parties should have recourse to review and update guidance and consider whether additional guidance is needed to ensure the agreed requirements of Article 4.13 and Article 13.7(b) are being met.

## INFORMATION TO REPORT TO TRACK PROGRESS TOWARDS ACHIEVEMENT OF NDCs

Consistent with our previous submission on this issue and in our recent submission on APA agenda item 5<sup>4</sup>, Australia identifies three distinct stages in tracking toward the achievement of NDCs in each commitment cycle. Accounting activities at each of these stages will be informed by the guidance outlined in the section above. Discussions under APA agenda item 3(c) should also provide guidance to Parties on the **accounting information to report** at each stage.

This will form a core input to the modalities, procedures and guidelines (MPGs) for the Paris Agreement Transparency Framework to assist Parties in meeting the requirement under Article 13.7(b) to track progress made toward the implementation and achievement of NDCs. The guidance will also be informed by discussion on the information to be provided to facilitate the clarity, transparency and understanding of NDCs.

The three stages of accounting are:

Stage 1 – Quantifying or clarifying NDCs at the start of or prior to implementation

Stage 2 – Tracking progress during NDC implementation

Stage 3 – Comparing outcomes against NDCs at the end of the implementation period

For example, during Stage 1, Parties quantify or clarify their current NDC by providing information on, inter alia, the type and extent of mitigation contribution, its base year(s), the baseline, or reference level, scope and coverage, underpinning information including definitions, key parameters and their values, and assumptions and methodological approaches used. This information should be provided in the earliest Party submission under Article 13 that takes place during the relevant commitment period. Some of this information may confirm or update information that Parties have previously provided as part of their NDC (see Australia's ICTU submissions), while other information may be provided here for the first time. This information should be arrived at in a manner consistent with agreed accounting principles and technical guidance.

During Stage 2, Parties provide a quantitative indication of how they are tracking toward their NDC, and report on how this estimate has been arrived at in a manner that is consistent with agreed principles and technical guidance. This would comprise, in most cases, a comparison of base year(s) or reference point emissions and relevant indicators, with commensurate quantities in the reporting year. This information is only intended to provide an indication of progress made, and it may be updated in subsequent reporting if more accurate information becomes available. It should not be interpreted as a metrics of whether a Party has fulfilled their NDC.

At stage 3, Parties provide a final quantitative comparison between outcomes and their NDC, taking into account outcomes under cooperative approaches, where used. For most NDC types this will involve providing their accounted net emissions in the target year(s), and relevant indicators. Parties

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<sup>4</sup> See Australia's 2016 submission on mitigation

[http://www4.unfccc.int/Submissions/Lists/OSPSubmissionUpload/261\\_279\\_131219392499465763-Australia%20UNFCCC%20Sub%20Mitigation%20Final%20.pdf](http://www4.unfccc.int/Submissions/Lists/OSPSubmissionUpload/261_279_131219392499465763-Australia%20UNFCCC%20Sub%20Mitigation%20Final%20.pdf)

and our 2017 submission on transparency:

[http://www4.unfccc.int/Submissions/Lists/OSPSubmissionUpload/261\\_323\\_131316743394320089-Submission%20APA%205%20-Australia\\_15%20Feb%202017.pdf](http://www4.unfccc.int/Submissions/Lists/OSPSubmissionUpload/261_323_131316743394320089-Submission%20APA%205%20-Australia_15%20Feb%202017.pdf)

<sup>5</sup> [http://www4.unfccc.int/Submissions/Lists/OSPSubmissionUpload/261\\_321\\_131357642219580657-AUSTRALIA-APA%20Mitigation-Apr-2017.pdf](http://www4.unfccc.int/Submissions/Lists/OSPSubmissionUpload/261_321_131357642219580657-AUSTRALIA-APA%20Mitigation-Apr-2017.pdf)

should reflect how this comparison has been arrived at in a manner that is consistent with agreed principles and technical guidance.

For accounted net emissions reported during stage 2 and 3, Parties should make clear how the quantity has been arrived at with respect to anthropogenic emissions and removals reported in their national inventory.

In addition to reporting information discussed here, the Transparency Framework MPGs will include further guidance on the information to report to demonstrate progress toward the implementation and achievement of NDCs. Australia has provided views on the information required in its recent submission under APA agenda item 5<sup>6</sup>.

Australia recognises that some Parties have limited capacity to provide all relevant information in the context of Article 4.6. We continue to work with partners to build capacity to improve the provision of information over time.

### **EXISTING GUIDANCE**

Guidance can build on valuable experience, lessons learnt and technical guidance from the development and implementation of previous accounting frameworks (Article 4.14), including supplementary guidance from the IPCC. However, the structure of the Paris Agreement and the nature of Parties' contributions are different to previous frameworks and not all existing guidance will be applicable, or sufficient. Additional guidance will be necessary to allow Parties to account for NDCs in accordance with Article 4.13 and decision 1/CP.21 paragraph 31.

### **RELATIONSHIP WITH OTHER SUB-ITEMS UNDER APA AGENDA ITEM 3**

Australia has expressed views on basic information to facilitate clarity, transparency and understanding of NDCs in a separate submission<sup>7</sup> relating to APA agenda item 3(b). Discussions under this item may identify **additional** information to facilitate CTU that Parties should provide in their NDCs. Discussions under this agenda item and under APA agenda items 3(a) and 3(b) are not duplicative and should proceed in parallel.

### **WAY FORWARD**

Progress on this item and completion by COP24 is important to provide clarity and confidence for Parties, businesses and private actors to invest in implementation. At Bonn, Parties should adopt a clear calendar of work on this item.

- Australia proposes that Parties identify at Bonn in May 2017 a) key principles and areas for the development of technical guidance such as the ones proposed above and b) key accounting information that should be reported.
- The identified principles and areas for guidance can form the starting point for further discussions and targeted submissions, with view to develop 'straw' text from COP23 onward.
- These discussions do not conflict with discussions under APA agenda item 3(a) and 3(b) which should proceed in parallel.

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<sup>6</sup> [http://www4.unfccc.int/Submissions/Lists/OSPSubmissionUpload/261\\_323\\_131316743394320089-Submission%20APA%205%20-Australia\\_15%20feb%202017.pdf](http://www4.unfccc.int/Submissions/Lists/OSPSubmissionUpload/261_323_131316743394320089-Submission%20APA%205%20-Australia_15%20feb%202017.pdf)

<sup>7</sup> [http://www4.unfccc.int/Submissions/Lists/OSPSubmissionUpload/261\\_321\\_131357642219580657-AUSTRALIA-APA%20Mitigation-Apr-2017.pdf](http://www4.unfccc.int/Submissions/Lists/OSPSubmissionUpload/261_321_131357642219580657-AUSTRALIA-APA%20Mitigation-Apr-2017.pdf)

Given the technical nature of this item, it will be important for straw text to be circulated as early as possible for Parties' consideration.

**ISSUES TO BE DISCUSSED AND RESOLVED UNDER THIS ITEM**

Australia proposes the following specific discussion questions.

To promote environmental integrity, transparency, accuracy, completeness, comparability and consistency and avoid double counting:

1. What key principles should accounting guidance reflect?
2. What are areas that require technical guidance?
3. What accounting information is required to support the tracking of progress under Article 13.7(b)?
4. What aspects of existing guidance and experiences in their development and implementation can inform the present discussion of key principles and specific areas for technical guidance?