



Setting crediting thresholds for the new market-based mechanism

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Baselines depend on how they are used

Setting and using crediting baselines

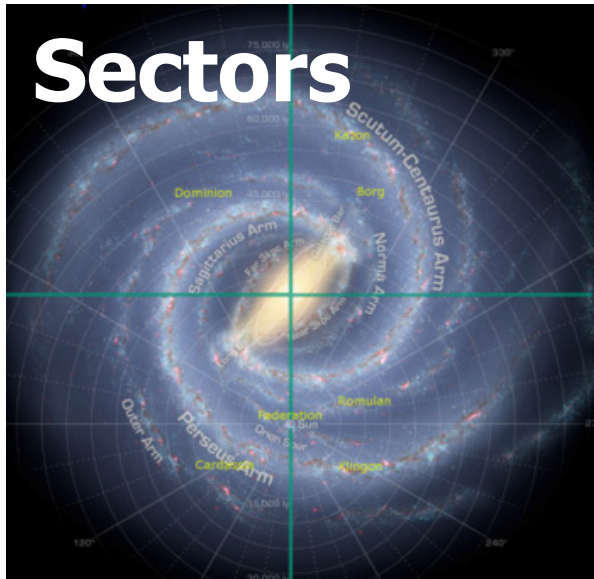
'Conventional'
CDM

CDM
Standardised
Baselines

New Market
Mechanism

1	Define coverage of baseline	Project	Broader group	Broader group
2	Set baseline emissions level	Project	Broader group	Broader group
3	Compare emissions to baseline	Project	Project	Broader group?
4	Distribute credits	Project participants	Project participants	Government? Group? Site?

Coverage: sectors, segments, groups?



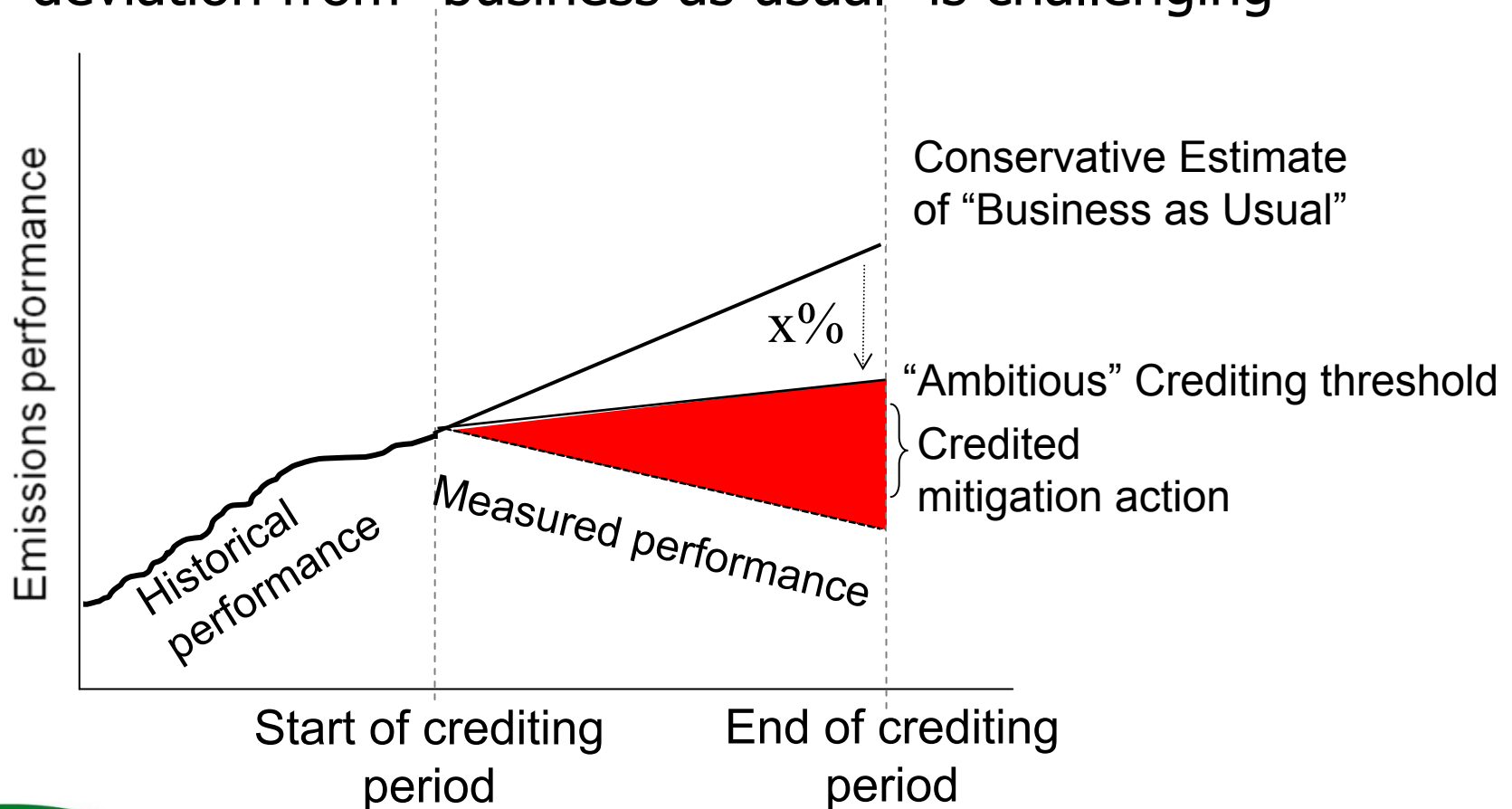
Baseline =

quantified estimate of how emissions may evolve based on **assumptions**

“Groups” of emitters could be defined according to country circumstances, based on relevant attributes such as product output, processes, vintage or technology

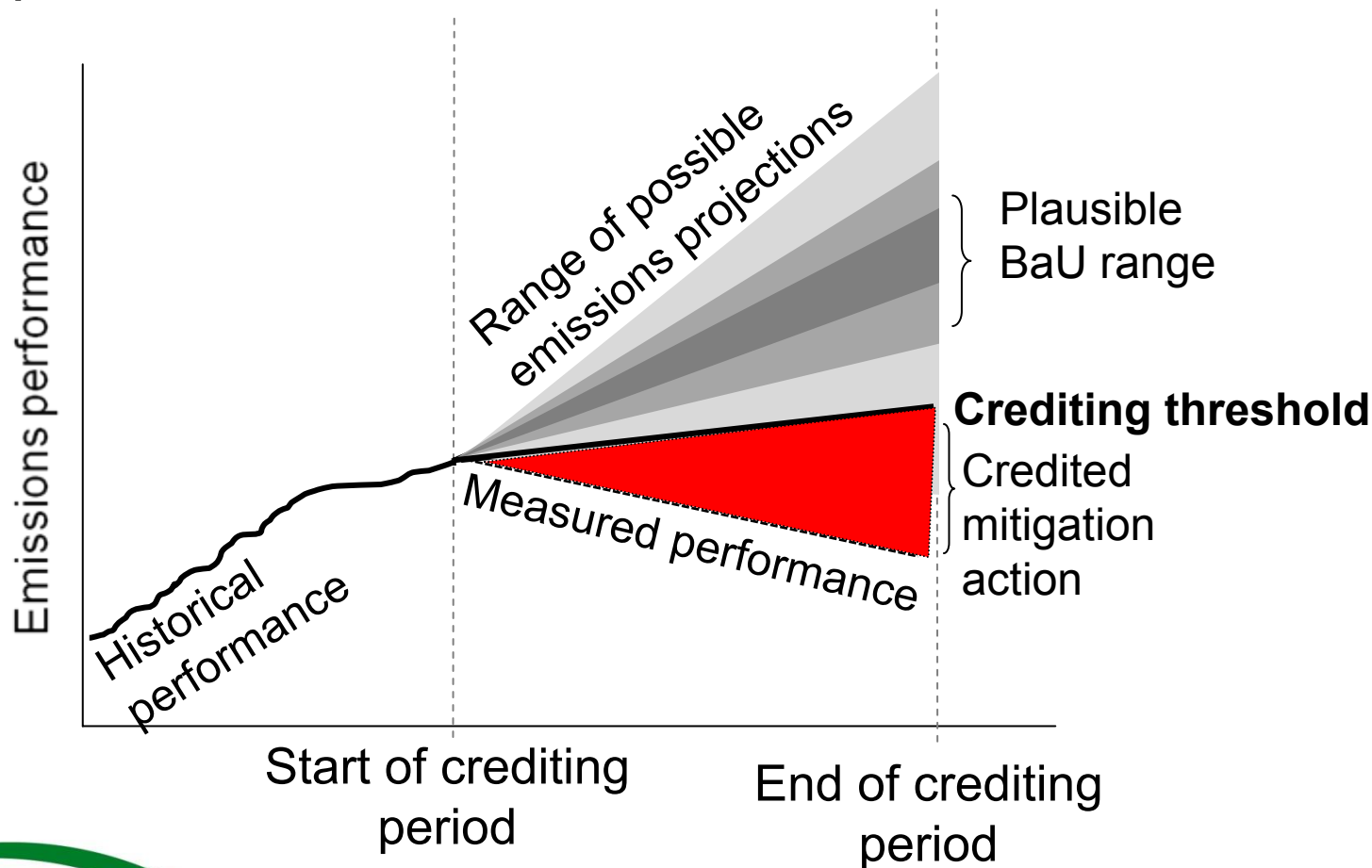
Setting crediting thresholds

- More stringent baselines (thresholds) could deliver “net global decrease or avoidance”, but defining thresholds as deviation from “business as usual” is challenging



Setting crediting thresholds

- For a market mechanism, crediting threshold needs to be clear and certain to stakeholders; can achieve this using performance benchmarks without direct reference to “BAU”



Widespread experience with performance benchmarks

CDM electricity grid emissions factors

Verified Carbon Standard and Climate Action Reserve protocols

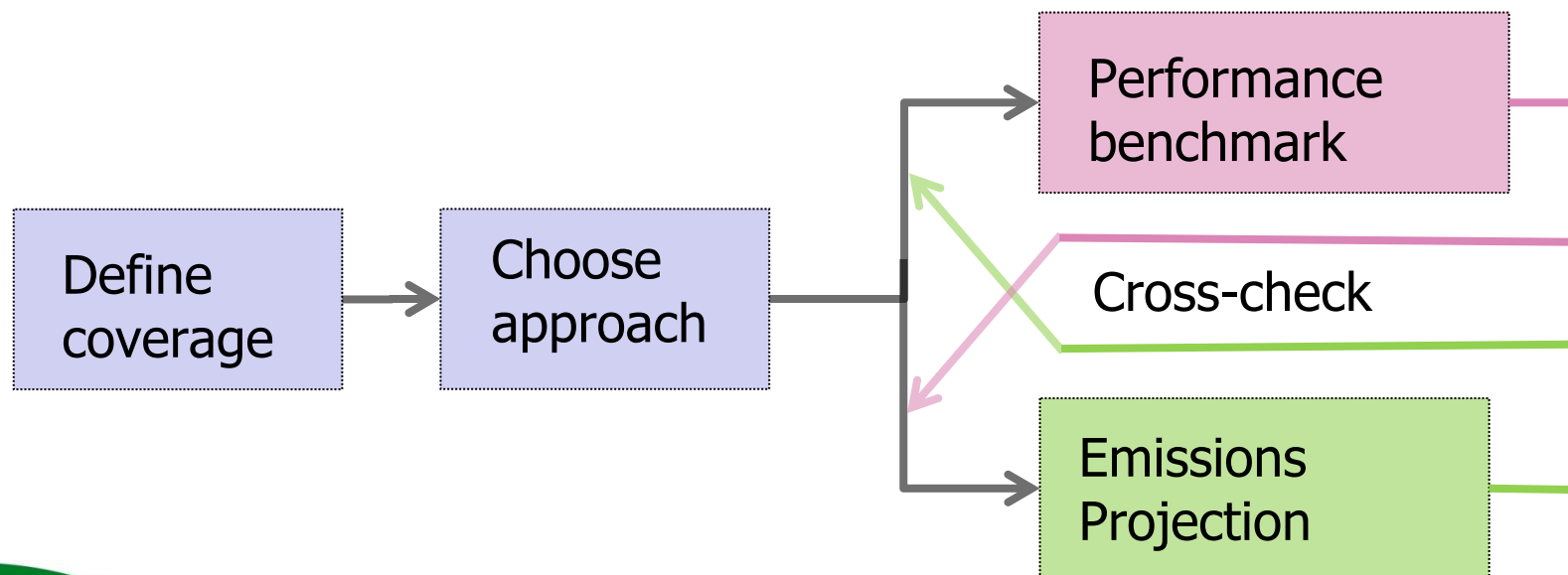
EU methodology for product-based benchmarks

Cement Sustainability Initiative benchmarks using global database

- Benchmark approaches can deliver strong environmental integrity, but reliability of data is an important issue

Towards a process for setting crediting thresholds

- Process for setting and recognising crediting threshold is a key governance question (both mechanism and “framework for various approaches”)
- Potential requirement that thresholds are subject to a cross check via two different approaches



Key points

- “Groups” of emitters could be more appropriate than “sectors” because coverage depends on local circumstances
- Ambitious thresholds could be set without focusing on “business as usual” by using performance benchmarks
- Process for setting thresholds could involve an integral cross-check to demonstrate appropriateness of setting thresholds
- Analysis of incentives important – for government to propose thresholds and for emitters to react

Thank you

For more information see the
**Climate Change Expert
Group** website:

<http://www.oecd.org/env/cc/ccxg>

Paper released May 2012:
“Crossing the Threshold”
(Andrew Prag and Gregory Briner)

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