

FVA, NMA and NMM technical papers

UNFCCC Briefing on the Technical Papers on FVA, NMA and NMM
Lima, Peru, 1 December 2014



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Recap from June

- Emerging clarity on FVA NMA NMM complementarity
- Draft decision elements
 - Purpose, scope, functions
 - Annexes not agreed in the final moments
- FVA, NMA, NMM increasingly seen in context of 2015 agreement
- Evolving thoughts on what it means to build on Kyoto

- Submissions
- Requests for secretariat technical papers on the basis of submissions and other relevant materials



Papers respond to specific requests

FVA paper on how approaches

- Meet standards for environmental integrity, double counting and a net decrease/avoidance of emissions
- Enable *international accounting* of mitigation outcomes
- Provide co-benefits and ensure effective institutions

NMA paper on best practices, lessons, international cooperation and co-benefits (sustainable development, poverty, adaptation)

NMM paper to help elaboration of modalities and procedures

- Design and governance
- Meaning of *net decrease/avoidance* of emissions
- Kyoto lessons and relation to FVA and ambition



General methodology

- Starting point is always an overall assessment of context, including past decisions and what appear to be emerging views
- Information, analysis and identification of options
 - Based on technical assessment of feasibility
 - Political preferences to be determined through negotiations
 - Wide range of sources (submissions, past deliberations, articles, reports, regulations, national communications, etc)
- Possible implications for SBSTA work programmes
 - Areas that could be clarified
 - Issues to bear in mind
 - Blockages to advancing our understanding



Framework for various approaches



Context

- Successive decisions have reiterated need for
 - Real, permanent, additional and verified mitigation outcomes
 - Avoid double counting of effort
 - Achieve a net decrease and/or avoidance of emissions
- SBSTA to consider purpose, scope, criteria/specs, institutions
- Emerging view of the FVA?
 - Operationalize use by Parties of approaches to fulfil commitments, pledges or contributions under the Convention
 - Includes market and non-market approaches
 - Determines units valid for international transfer/compliance



Approaches considered

- Market-based (crediting, trading) and non-market-based
- Three categories of approaches
 - Those developed or being developed by Parties
 - Others - eg subnational, non-governmental
 - Existing Kyoto mechanisms (CDM, JI, trading)



Comparability with UNFCCC standards

- UNFCCC standards for **generation, transfer and use** of mitigation outcomes are elaborated in detail and are well established
 - CDM methodologies (baseline and emissions estimation)
 - Inventory rules
 - Process standards (rules for issuance, registries, etc)
- UNFCCC standards have a strong normative effect
- CDM/JI standards often used directly or as a basis for further tailoring and development in other crediting systems
- MRV standards are relatively universal, can in principle be applied to market and non-market approaches



Comparability to decisions 2/CP.17 and 1/CP.18

- Specific para references relate to delivery of real, permanent, additional, verified mitigation outcomes; avoiding double counting of effort; achieving net mitigation of GHG emissions
- Make up the main body of the approaches
- Different methods used to address, for example, leakage, additionality, inaccuracies, non-permanence, verification, etc



Enabling of accounting at international level

- How commitments/pledges/contributions may be fulfilled, including which actions may count towards that fulfilment
- Numerous aspects
 - MRV of emissions base (inventories) and mitigation outcomes
 - What mitigation outcomes may be transferred
 - What mitigation outcomes may be used to fulfil commitments
- A unit may be held by only one entity at a time – “double-entry bookkeeping” to track additions and subtractions
- Different systems emerging now for the range of approaches
- 2015 agreement may necessitate a wider accounting framework



Participation and eligibility

- Participation at entity level
 - Trading systems typically need mandatory participation
 - Participation in crediting systems is typically voluntary
- Participation at country level through eligibility criteria, for example
 - Being a Party
 - Quantified commitment, pledge or contribution
 - MRV system
 - Most recent national inventory
 - Registry, or access to one
 - Additional info on transfers and use
- Need to determine whether a Party meets these criteria



Further considerations

- Providing co-benefits
 - Crediting approaches often promote sustainable development through host Party or independent confirmation
 - Adaptation benefits sometimes provided for through a levy
- Effective institutional arrangements and governance
 - General convergence on different levels and roles
 - Need for appropriate balance of responsibilities at all levels
- Relation to international agreements
 - Some approaches arise out of multilateral agreements
 - Some approaches establish bilateral links, before or after the approach has been implemented



Possible implications for the work programme

- Need an accounting framework setting out how Parties' fulfilment of their commitments/pledges/contributions is to be assessed, including which actions may count towards that fulfilment
 - Determine more clearly the overall concept of the FVA
 - International validity of units based on assessing if approaches meet standards or if Parties meet eligibility criteria, or both
 - Role of non-market approaches in the FVA
 - Determine how approaches can be assessed to meet standards when they use such a range of methods
 - Eligibility criteria could focus on systems and processes to allow operation in accordance with the accounting framework
 - Need clarity on how approaches provide co-benefits
 - Value in a central institution to promulgate and share standards
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Non-market-based approaches



Context

- Many Parties see NMA as being part of the FVA
- Emerging view of NMA?
 - Approaches that drive cost-effective mitigation without relying on market approaches
 - No transferable or tradable units, as with market mechanisms
 - Either complementary or an alternative to markets
- Most examples noted by Parties are domestic policies
 - Where can NMAs benefit from international collaboration?
 - Where can NMAs add value to ongoing initiatives?



Best practices and lessons

Economic and fiscal instruments	Energy and carbon taxes: Japan, Mexico, Costa Rica, Chile Incentives: feed-in tariffs in Germany, subsidy reform in Philippines and UK, US Energy Efficiency and Conservation Block Grant Program, Brazilian Amazon Fund, etc
Regulations	EU Energy Performance of Buildings Directive, Singapore Green Building Master Plan, US Clean Power Plan, EU F-gas legislation, NZ National Environmental Standard for Landfills
Voluntary agreements	Finland's Energy Efficiency Agreements, energy saving agreements under the Dutch energy policy
Framework targets	EU burden-sharing agreement
Information, education and awareness programmes	Eco-labelling (EU eco-label, Indonesia eco-label), climate change dialogues in Swaziland, international awareness programmes (UNESCO Climate Change Education for Sustainable Development)
Research and development	Develop CCS, increase the use of alternative fuel vehicles, advance hydrogen and fuel cell technology



Options for international cooperation

Regional cooperation	SIDS Lighthouse initiative ECOWAS Centre for Renewable Energy and Energy Efficiency Nordic Eco-label
International cooperation	Low-Emission Capacity Development Programme NAMA Partnership Climate and Clean Air Coalition to Reduce Short-Lived Climate Pollutants Climate Technology Initiative Friends of Fossil Fuel Subsidy Group



Integration of co-benefits

- NMA provide for a wide range of co-benefits to sustainable development, poverty eradication and adaptation
 - Enabling new green economic enterprises
 - Diversifying the economy
 - Increase economic growth
 - Provide food security
 - Improve livelihoods of indigenous peoples by providing economic opportunities
 - Improve human health
 - Improve air and water quality



Contribution to decision 1/CP.18, paragraph 2

- Decision 1/CP.18, para 2
 - Equity and CBDR
 - Provision of finance, technology transfer and capacity building to support mitigation and adaptation action
 - Equitable access to sustainable development, survival of countries and protection of the integrity of Mother Earth
- Sweden's Special Climate Change Initiative
- Australian cooperation on adaptation, mitigation, capacity building, technology cooperation programmes
- Finnish technology transfer programmes
- Support via the GCF and Technology Mechanism



Possible implications for the work programme

- Need to determine more clearly the overall concept of NMA
- Options for consideration
 - An information-sharing process
 - An international programme under the Convention
 - International cooperation on national NMAs
- Need to clarify the relationship between NMAs and other initiatives eg NAMAs, the Technology Mechanism, REDD-plus, etc



New market-based mechanism



Context

- Durban defined the NMM
 - Promote cost-effective mitigation
 - Assist Parties in meeting part of their Convention targets
 - Operated under guidance and authority of the Convention
- SBSTA task is now to develop modalities and procedures
- Emerging view of the NMM?
 - Relatively centralized, with governing body under the COP
 - Crediting for mitigation outcomes, may include trading also
 - Opportunities to tailor implementation to country circumstances
 - Possible “windows” – projects, programmes, sectors



Design and governance - overview

Several issues on NMM require further clarification

- Scope
 - Level of activities (eg projects, programmes, sectors)
 - Types of activities included or excluded
 - Geographical coverage
 - Emissions **trading** in addition to baseline-and-crediting
- Degree of **centralization or decentralization** in governance
- Timeframe for commencing NMM operations



Design and governance – option 1

Centrally governed baseline-and-crediting mechanism

- Crediting reductions below absolute or intensity-based baselines
- Governing body regulates, assesses reductions, issues credits
- Crediting at a sector level can dilute incentives for entities

Assessment

- Harmonized standards and processes, less fragmentation
- Strong international oversight and transparency
- Opportunities for greater scale in markets
- Fewer regulatory, technical, admin burdens on host countries
- Clear opportunities to build on the Kyoto mechanisms
- Opportunities to tailor crediting to national circumstances



Design and governance – option 2

Facilitative “bottom-up” baseline-and-crediting mechanism

- Governing body’s role is to guide and provide capacity-building
- Host countries build regulatory, technical, admin capacity
 - Establish their own rules and processes
 - Approve baselines, assess reductions, issue units

Assessment

- Greater autonomy for host countries
- Less harmonization and compatibility, more fragmentation and challenges for private sector participation
- Risks for integrity, credibility, transparency
- Greater need for regulatory, technical, admin capacity



Design and governance – option 3

Centrally-governed baseline-and-crediting and trading mechanism

- As with option 1, but with emissions trading
 - International level
 - Sectoral level through targets for domestic sectors, strong MRV, surrender of units against targets, compliance enforcement
- May facilitate countries in implementing trading systems
- Units likely eligible for international transfer and compliance
- Limited scope for a governing body role
 - Authority for regulation and enforcement of entities sits only with national governments
 - Decisions on caps and linking are political choices



Possible elements of modalities and procedures

- Purpose
- Definition of terms
- Governance and institutional arrangements
- Participation requirements
- Registration and MRV requirements
- Issuance and accounting requirements
- Administrative and other arrangements

Content is dependent on design and governance chosen

M&P could be limited to institutions and principles of political nature, leaving matters of practical implementation to the governing body



Meaning of net mitigation

Number of credits from an activity used to offset other emissions < Actual emissions reductions or avoidance from the activity

- Possible supply-side adjustments (conservative/dynamic baselines, shorter crediting periods, crediting only for reductions beyond those required nationally, excluding technologies/sectors)
- Discounting at point of issuance (supply) or use (demand) allows transparency in reductions actually made versus those used
- Net mitigation can be claimed by the host country, or not
- Host Party's "own contribution" is not net mitigation if it increases emissions elsewhere in the country



Lessons learned from the Kyoto mechanisms

- Focus the M&P on high level requirements
- International oversight is key to credibility, trust and transparency
- Private sector engagement essential
- Common approaches preferable to fragmented approaches
- Save time/effort by building on existing infrastructure
- Need greater standardization, objectivity and simplicity
- Ensure the leveraging of sustainable development co-benefits
- Further clarify the non-political nature of regulatory bodies
- Ensure broad expertise in the membership of regulatory bodies
- Ensure opportunities for early action or a 'prompt start'



Relationship with the FVA and Kyoto mechanisms

- FVA and NMM both seen as being under the 2015 agreement
- Focus of the FVA isn't yet clear, but COP could independently make NMM credits valid for international transfer and compliance
- Options available for NMM and CDM/JI
 - Co-existence
 - Consolidation
- Timeframe is an issue
 - What is applicable pre- and post-2020?
 - How quickly can countries adjust to new approaches?
 - What provisions for “early action”?



Possible implications for the work programme

- Determine more clearly the overall concept of the NMM
 - Centrally governed baseline-and-crediting mechanism
 - Facilitative “bottom-up” baseline-and-crediting mechanism
 - Centrally-governed baseline-and-crediting and trading
- Clearly distinguish the roles of the NMM and FVA
- Watch developments on an accounting framework
- Clarify relationship to the Kyoto mechanisms
- Build on the experience gained with the Kyoto mechanisms
- Resolve how net mitigation could be applied
- Clarify these issues as input to developing the M&P



Thank you!

What focus and priority to narrow the SBSTA work in 2015?

How can the SBSTA work inform the ADP discussions?

FVA FCCC/TP/2014/9

NMA FCCC/TP/2014/10

NMM FCCC/TP/2014/11

