

Accounting and environmental standards of internationally transferable mitigation outcomes

ADP 2-8 and SBSTA 42

The Environmental Integrity Group (EIG) would like to submit its views on accounting and environmental standards of internationally transferable mitigation outcomes for consideration under a) the ADP, and b) the work programmes under SBSTA on market and non-market mechanisms under the Convention. This EIG submission is based on the previous ones¹. These elements aim at ensuring that post-2020 global mitigation efforts are ambitious.

The EIG is of the view that some internationally agreed environmental standards or rules need to be agreed upon in order to guarantee the environmental integrity of the internationally transferable mitigation outcomes, to ensure that they are real, permanent, additional and verified. In addition, double counting of efforts constitutes a significant risk in the current and future climate regime if no rules for avoiding double counting are agreed upon. Indeed, without internationally agreed accounting rules, mitigation outcomes could be counted twice, once by the acquiring country and another time by the host country where the emission reductions take place, which would considerably reduce the global ambition of mitigation commitments/contributions.

The EIG proposal replaces paragraphs 23, 69 and 92 and should be placed in section D on mitigation.

¹ http://unfccc.int/files/kyoto_protocol/mechanisms/application/pdf/2014_10_eig_on_fva.pdf
http://unfccc.int/files/kyoto_protocol/mechanisms/application/pdf/2014_10_eig_on_the_new_market_mechanism.pdf
<http://unfccc.int/resource/docs/2012/awglca15/eng/misc04a05.pdf>
http://unfccc.int/files/documentation/submissions_from_parties/application/pdf/nmm_eig.pdf
http://unfccc.int/files/cooperation_support/market_and_non-market_mechanisms/application/pdf/nmm_environmental_integrity_group.pdf
http://unfccc.int/files/documentation/submissions_from_parties/application/pdf/fva_eig.pdf
http://unfccc.int/files/cooperation_support/market_and_non-market_mechanisms/application/pdf/fva_environmental_integrity_group.pdf

Elements for draft text for the Paris agreement

1. Parties, when cooperating to achieve their mitigation commitments, shall ensure that cooperative arrangements deliver real, permanent, additional and verified internationally transferable mitigation outcomes in an environmentally integer way, avoid double counting of effort and achieve a net decrease and/or avoidance of emissions;
2. The governing body shall develop and adopt standards for implementing para. [1] and processes for ensuring that these standards are met;
3. The governing body shall create and strengthen synergies between cooperative arrangements and mechanisms established or to be established under the Convention, its related legal instruments and other relevant institutions;
4. Parties agree to account in line with the standards adopted by the governing body the internationally transferable mitigation outcomes that they use towards their commitments/contributions;

Elements for draft text for a COP decision in Paris

1. *Decides* that a common accounting and tracking rules system is hereby established for the purpose of safeguarding environmental integrity and avoiding double counting of internationally transferable mitigation outcomes of cooperative arrangements that includes:
 - a) the coherent and comprehensive accounting through the system of double entry bookkeeping, where the Party which acquires an internationally transferable mitigation outcome have to subtract it from its emissions and where the host Party of this transferred mitigation outcome has to add it to its emissions, when reporting on the progress toward their commitment/contribution;
 - b) the comprehensive recording of activities covered by cooperative arrangements resulting in internationally transferable mitigation outcomes, either at the UNFCCC level or at the national level, with transparent, comprehensive and publicly available information in English, ensuring synergies with existing UNFCCC tools and processes;
 - c) for internationally transferable mitigation outcomes resulting in units:
 - i. the use of a registry under the responsibility of each Party to the Convention that must meet technical standards, or the use of an account in a central registry under the UNFCCC for countries that do not have capacities or do not wish to administer an own registry, ensuring synergies with existing UNFCCC infrastructures;
 - ii. the use of an international transaction log to be implemented and operated by the Secretariat, to interconnect registries, to guarantee that transfers of units that have successfully passed the conformity checks are unique, identifiable

- and reconcilable, and to contribute to the avoidance of double issuance, double use or double counting of emission reductions/avoidance, ensuring synergies with existing UNFCCC infrastructures;
- iii. the issuance of the internationally transferable mitigation units by the executive body or by a designated national authority of the host country Party under close scrutiny of the executive body and the Secretariat for the emission reductions that have successfully passed the conformity checks;
- d) for internationally transferable mitigation outcomes not resulting in units:
- i. the use of a system of confirmation and tracking by the Secretariat or the executive body of the amount of emission reductions to be accounted in another country Party, in a way that the functions are comparable to and coherent with the ones performed under c) ;
2. *Decides* that cooperative arrangements with internationally transferable mitigation outcomes must lead to a net decrease and/or net avoidance of global greenhouse gas emissions, by ensuring that:
- a) the greenhouse gas emissions abatement is shared between the host Party and the acquiring Party;
 - b) more greenhouse gas emissions abatement is achieved than the addition of the emission reductions resulting from the cooperative arrangement accounted by the host Party towards its contribution/commitment and the internationally transferred mitigation outcome accounted by the acquiring Party towards its contribution/commitment, while ensuring that there is no double counting according to paragraph [1a above];
3. *Decides* that cooperative arrangements with internationally transferable mitigation outcomes must meet standards that deliver real, permanent, additional and verified mitigation outcomes to be elaborated, building on the work conducted under the SBSTA regarding the framework for various approaches (FVA), and are subject to conformity checks by the executive body under the COP regarding their fulfillment, where the executive body :
- a) defines standards for:
 - i. Setting credible reference levels for calculating emission reductions, avoiding leakage and addressing inaccuracies from fraud or error;
 - ii. Ensuring irreversibility, or in case of reversibility, measures to compensate for a possible reversal;
 - iii. Achieving greater mitigation outcomes than what would have occurred in the absence of the cooperative arrangement;

- iv. Guaranteeing independent and competent verification;
 - b) sets provisions for allowing divergence from these standards, by providing comprehensive reasoning for such divergence during the conformity check process;
 - c) facilitates transparency by defining rules for the publicly available information;
- 4. *Decides* that resources to acquire emission reductions that are accounted towards a mitigation contribution/commitment of a country Party shall not be accounted as international climate finance for support by this country Party;
- 5. *Further decides* that the executive body shall make recommendations to the COP on modalities and procedures for implementing para. [1] to [3] and ensuring that these modalities and procedures are met, for adoption by the COP;
- 6. *Decides* to define an executive body under the COP by adopting the terms of reference at the 22nd session of the COP;