

A Home for All: Architecture of a Future Global Framework for Mitigation Action under the Framework for Various Approaches

September 2014

Submission of **Environmental Defense Fund** (www.edf.org) on para. 6 of the SBSTA Draft Conclusions proposed by the Chair on the Framework for Various Approaches (FVA), taken at Bonn in June 2014, relating to market and non-market mechanisms under the Convention.

Environmental Defense Fund (EDF), an 800,000-member non-profit, non-governmental, non-partisan, accredited observer organisation that has participated in the climate treaty talks since their inception, respectfully presents this submission on the matters referred to in paragraph 6 of the SBSTA Draft Conclusions proposed by the Chair on the Framework for Various Approaches (FVA), taken at Bonn in June 2014, including on the design and operation of the FVA.¹ This submission builds on EDF's previous submission to the UNFCCC, "A Home for All: Architecture of a Future Framework for Various Approaches," available at edf.org/fva

As Parties to the United Nations Framework Convention (UNFCCC) strive for a successful global climate agreement in Paris in 2015, they will need to address a well-identified set of issues. An aggressive approach that mobilises public and (much larger) private investment in mitigation, adaptation, and capacity building is essential to achieving the objective of the Convention: stabilization of greenhouse gas concentrations in the atmosphere at a level – and in a timeframe – that would prevent dangerous anthropogenic interference with the climate system.

Lessons from other multilateral processes, as well the Kyoto Protocol and current UNFCCC discussions, suggest that a successful mitigation architecture should be:

1. **inclusive:** this requires *incentives for broad participation*;
2. **flexible:** this requires a *welcoming structure* that encourages nations to take more action as their capacities evolve;
3. **transparent:** this requires appropriate *tools for measurement, reporting, and verification (MRV) of emissions and sequestration to assess progress*, in light of the latest climate science and the objective of the Convention; and
4. **effective and efficient** in achieving ambitious emission reductions, using *market and non-market mitigation approaches* to unlock needed financial, institutional, and human resources.

Recognising that each UNFCCC Party retains sovereign prerogatives to design its own approaches, EDF believes that the Conference of the Parties (COP) should **establish standards** that:

- serve as guideposts for the design of effective domestic emissions reduction programmes for sovereigns that choose to follow them;
- recognize and facilitate environmentally sound linkages among domestic programmes that choose to transfer mitigation units or portions of their nationally determined contributions (NDCs), including through the use of consistent emissions reporting and unit tracking systems; and
- provide means for assessing results, so that Parties and stakeholders can understand whether the sum total of the mitigation outcomes from various domestic programmes is sufficient to meet the UNFCCC's objective.

Integrity Checklist

To achieve these goals, Parties should establish a framework of core standards for all domestic mitigation approaches, with additional standards for approaches that transfer units or portions of NDCs to another Party. The combined set of standards (an “Integrity Checklist,” detailed below) could be established under the FVA, or under the Ad Hoc Working Group on the Durban Platform (ADP).

Establishing international standards in such a framework does not mean that all, or even most, aspects of each Party's domestic approaches can or should be regulated by the COP. Both the COP and individual Parties have an important role to play in ensuring the integrity of mitigation approaches, as illustrated in the Integrity Checklist below.

| Integrity Checklist | | |
|---|--|---|
| Framework Standard | Role of the COP | Role of Host Government |
| Core Standards for All Approaches | | |
| 1. Transparent MRV and accounting for total emissions + sequestration | Establish and promote broadly agreed, robust, and enforceable standards for reporting of emissions and sequestration. | Monitor, report, and verify national emissions and sequestration, under transparent accounting framework. |
| 2. Enforcement/Compliance | Provide international legally binding framework for those Parties that choose to join it. Alternatively, COP may consolidate good practice guidelines for domestic enforcement. | Ensure domestic legal enforceability of NDCs. Party may also choose to inscribe NDCs in international legally binding framework. |
| 3. Durable and consistent rules that foster long-term investment | Facilitate periodic scientific assessments of global progress in meeting objective of the Convention; establish good practice guidelines for predictable evaluation and revision of domestic programmes. | Establish clear, predictable rules for domestic programmes. Change rules infrequently and only in accordance with previously announced procedures for doing so. |
| 4. Incentives for early action (optional) | Promote good practice standards for establishment of effective, high-integrity early action programmes. | If early action is chosen as part of domestic approach, establish clear incentives and rigorous baselines. |
| Additional Standards for Approaches that Transfer Units to another Party | | |
| 5. Caps on economy-wide, sectoral, or jurisdictional emissions | Facilitate willing sovereigns' decisions to adopt caps by recognizing transfers of mitigation units only between sovereigns with emissions limitations or reductions measured in absolute tonnes (with an exception for low-emitting Parties). | Submit NDCs composed of emissions limitations or reductions measured in absolute tonnes (rather than intensity or similar measures). Reference levels and associated baselines should be defined in terms of known historical values. |
| 6. Definition and fungibility of traded units, including offsets | Promote high-integrity standards for traded units. | Set clear rules for traded units in domestic programme, including accounting rules for indirect and direct emissions, and stringent standards for acceptance of - and restrictions on - offset credits and international units. |

| | | |
|---|---|---|
| 7. Transparent tracking, reporting, and accounting of emissions units and transactions | To address double claiming of mitigation outcomes, recognize international transfers of units only between Parties that account for transfers (i.e. addition of exported units, and subtraction of imported units, in national inventories). Establish transparent international transaction log. | Monitor, report, and verify transactions and units. Account for international transfers of units in national inventory. |
|---|---|---|

Creating the framework does not require starting from a blank state: the Parties have already made progress in elaborating, for example, some key elements of a robust MRV system through the biennial reporting process.

The COP can also draw from experience with existing domestic market and non-market approaches in formulating a set of good practice standards for the framework. Indeed, the framework should be viewed as a work in progress, providing an opportunity for Parties to learn from, and improve, a variety of evolving mitigation approaches.

The successful elaboration of a framework of standards will result in a more complete understanding of the various approaches being developed at the national and sub-national level, and ultimately a better understanding among Parties of the common characteristics of high-integrity market and non-market approaches. Inputs into this process could include relevant intergovernmental initiatives and research, including from the International Energy Agency (IEA), the Organization for Economic Co-operation and Development (OECD), and International Renewable Energy Agency (IRENA), as well as Parties' experience and lessons learned from the International Carbon Action Partnership (ICAP), the Partnership for Market Readiness (PMR), other regional carbon market forums, and the voluntary carbon market.

A Home for All: toward a new climate architecture

What kind of structure for a 2015 agreement could deliver the minimum standards described above, unlock private and public investment, and increase ambition and participation, while respecting the principles of the Convention?

Because of their key role in assessing and improving the efficacy of various approaches, a core set of robust and enforceable MRV rules are critical to the success of mitigation efforts. Effective MRV benefits sovereigns by helping them to:

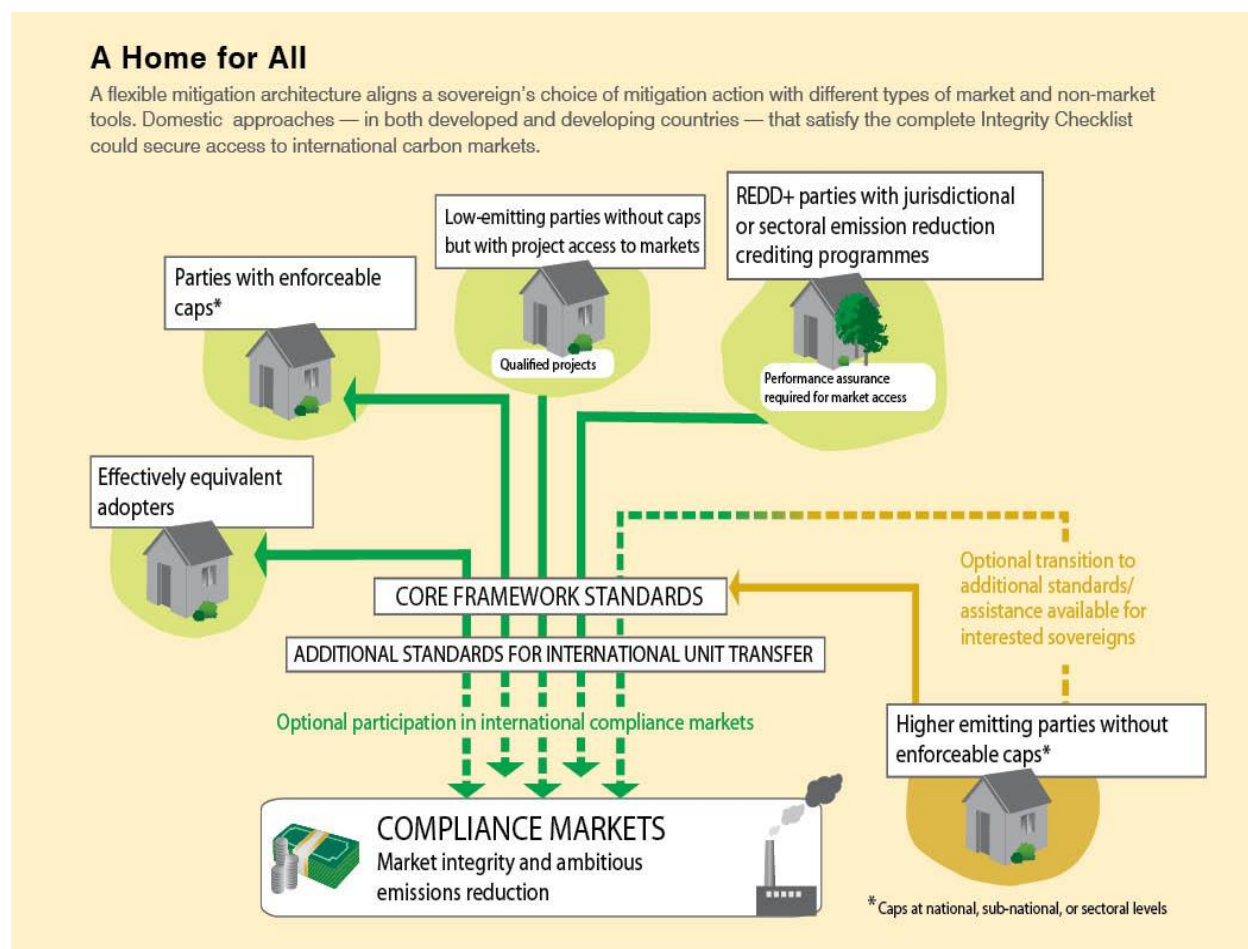
1. understand the scope of the climate challenge,
2. develop strategies to address it, and
3. assess the extent to which policy interventions are succeeding.

MRV programmes also give public and private actors confidence in calculating the costs and benefits of addressing rising emissions, and in turn help mobilise investment in low-carbon development – particularly when supported with a long-term policy signal.

In the process, MRV systems improve sovereigns' capacity to address climate change, whether through non-market or market-based policies, or (as is more likely) both.

Figure 1 illustrates a flexible mitigation architecture that aligns a sovereign's choice of mitigation action with different types of market and non-market tools, including funds for low-carbon development that may be generated via international transfers of emissions units. Providing a "Home for All," this structure respects the principles of the UNFCCC by providing space for a variety of domestic approaches.

Figure 1: A Home for All

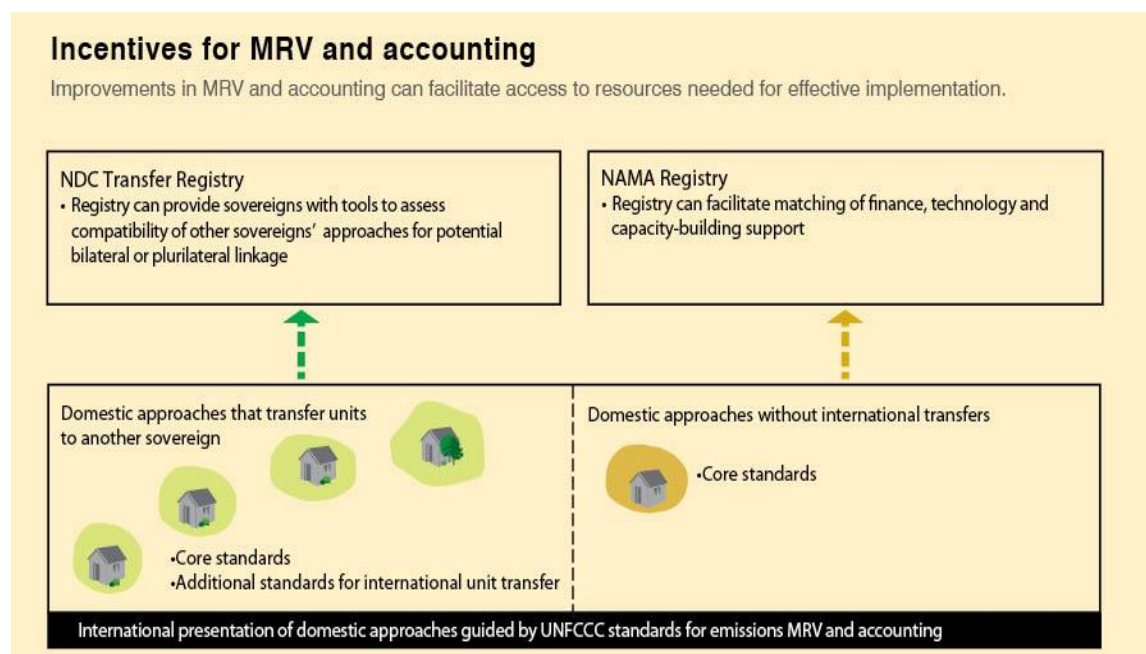


Every sovereign can find its own home in this new architecture, and can choose to move from one to another as capabilities and national circumstances evolve. Some sovereigns may participate by implementing effectively equivalent domestic standards, before being able to join the 2015 agreement (“Effectively equivalent adopters”). Other sovereigns may occupy multiple homes, since they may choose to implement market-based emissions caps on some sectors or gases (i.e. “Parties with enforceable caps”), while simultaneously pursuing non-market solutions for other sectors or gases (i.e. “Higher emitting Parties without enforceable caps”). Support should be made available to assist countries to improve their capacity, if they choose to move from one space to another. A variety of climate funds and market support programmes currently exist that can help Parties to make the move.

Matching transparency with resources

Robust MRV and accounting for both market and non-market approaches can facilitate access to resources needed for effective implementation. For example, sovereigns with approaches that strive for more rigorous MRV of emissions and sequestration could be matched with appropriate sources of support in the NAMA Registry. Similarly, the COP might establish an optional “NDC Transfer Registry,” built around the framework standards described in the Integrity Checklist, to provide tools for sovereigns to assess the compatibility of other sovereigns’ domestic approaches for potential bilateral or plurilateral linkage and transfer of emissions units. Parties with approaches that include high-integrity domestic MRV and accounting would be likely to attract greater interest in linkage and investment from other sovereigns. An illustration of this approach to incentivize improvements in MRV and accounting is shown in Figure 2.

Figure 2: Incentives for MRV and accounting



If the COP is not able to establish such a framework of standards, individual sovereigns and groups of sovereigns could still develop such standards to:

- evaluate each other’s domestic approaches;
- assess the ambition and mitigation effectiveness of each other's programmes;
- identify programmes for potential linkage; and
- based on the above, make objective decisions whether to allow emitters operating within their jurisdictions to tender, for compliance purposes, units that arise within the jurisdiction of other sovereigns.

Getting started: intended nationally determined contributions

The submission of Parties’ intended nationally determined contributions (INDCs) provides an opportunity for groups of Parties to collaborate in indicating their desire to use high-integrity mitigation approaches subject to clear standards. In their INDCs, for example, Parties interested in cooperating to achieve their INDCs could clarify that they wish to adhere to the complete Integrity Checklist, including robust and enforceable MRV and consistent, compatible accounting rules. In this way, INDC “clubs” could provide an important milestone in elaborating the key standards for high-integrity approaches to ambitious mitigation, even if the COP is not able by Paris to establish the requisite framework of standards.

Putting it all together: legal framework

Legal instruments enforceable at the international or domestic level are crucial tools in the climate policy toolbox. As Parties continue in the coming months to elaborate the key elements of the 2015 agreement, consideration of a range of appropriate design elements that facilitate participation, ambition, clarity of commitments, and compliance should proceed in parallel with deliberations on the content of the agreement.

The legal form of the 2015 agreement should facilitate and incentivize the prompt incorporation of its provisions into domestic law, to speed domestic enforcement. Non-party provisions – as included, for example, in the recent Minimata Convention – can provide a pathway to participation for nations unable to quickly ratify an international treaty or its amendments, that nonetheless adopt effectively equivalent domestic measures.ⁱⁱ Jurisdictions that demonstrate domestic enforcement of all provisions of the Integrity Checklist, for example, would receive international recognition of transfers of emissions units to another sovereign.

Robust MRV and accounting provisions that are enforceable and transparent will be essential components of a successful post-2020 climate policy architecture, if nations are to mobilise the significant private and public finance needed to achieve the objective of the Convention.

ⁱ [FCCC/SBSTA/2014/L.10](#). Drawing on links between the work of the FVA and other processes under the Convention, EDF has submitted a similar paper in response to the invitation to Parties and admitted observer organizations to provide information, views, and proposals on the work of the ADP before each session. See FCCC/ADP/2012/3, para 22.

ⁱⁱ See “Effectively equivalent adopters” in Figure 1, above. See also Walton C. Shepherd, “Accommodating the 800-pound gorilla: how trade with non-parties provisions can broaden American participation in the 2015 climate agreement,” 44 ELR 10043 (2014).