Submission on MRV and review from New Zealand to the AWG-LCA

17June 2011

New Zealand hosted and chaired an informal workshop on measurement, reporting, verification and review from 24 to 26 May 2011.

We believe the workshop report will be of interest to all Parties and is attached below as a submission to the AWG-LCA.



MRV and review informal workshop Wellington, New Zealand

Workshop Summary Report

24 to 26 May 2011

Introduction

On May 24th through 26th, the New Zealand Ministry for the Environment hosted an international workshop on measurement, reporting and verification (MRV) and review issues under discussion in the UNFCCC negotiations. Experts from Australia, Brazil, Canada, Chile, the European Commission, Ghana, Indonesia, Japan, Mexico, New Zealand, Norway, Samoa, South Africa, Sweden, Switzerland, Thailand, the United States, the UNFCCC secretariat and the OECD participated in the workshop.

The objective of the workshop was to identify, discuss and begin to resolve issues that will help facilitate the successful adoption of measurement, reporting, verification and review decisions within the UNFCCC process. A background paper presenting an overview of MRV and review related requirements of the Cancun agreement and current reporting and review procedures already in place under the Convention and the Kyoto Protocol was circulated in advance to identify gaps and facilitate discussion. A summary table from that paper is reproduced below.

In addition short background papers were prepared on International Consultation and Analysis (ICA) and International Assessment and Review (IAR), on Finance, and on capacity building needs.

Cross-cutting issues

- Workshop participants observed that many provisions related to MRV and review are already in place under the Convention and the Kyoto Protocol. Some elements required from Cancun can be met by adapting existing provisions (e.g. national systems under the Kyoto Protocol can easily be adapted under the Convention to meet the mandate for national inventory arrangements), while other elements can draw on experiences in other processes (e.g. the expert review process as a model for technical assessment under the ICA process). Only a few elements (i.e. consultations under the IAR and ICA) are completely new, but even here Parties can draw upon experiences with the mitigation workshops and other international review processes.
- A general concern with sustainability of the UNFCCC reporting and consideration procedures arose early in the workshop, and remained a theme throughout. Existing reporting and review processes for Annex I countries already impose significant human and financial burdens on reporting countries and on the UNFCCC secretariat. The addition of biennial reports and the IAR and ICA processes established by the Cancun agreement will necessitate careful consideration of both the new and existing requirements.

Comparison of Cancun requirements and existing MRV provisions

Cancun	Current	Work Needed								
Developed Countries										
Annual inventory Reports	Annual Inventory Reports	Guidelines for national inventories currently being revised								
Biennial Reports	<i>Kyoto parties report target accounting annually</i>	Requires development of new guidelines: Mitigation Target accounting finance								
Enhanced reporting in national communications	Reporting of finance in general tables	Requires revision of guidelinesCommon reporting format for finance								
National inventory arrangements	National Systems guidelines for Kyoto Parties	Requires development of guidelines under the Convention								
Enhanced review	Inventory review guidelines only under Convention; <i>Guidelines</i> <i>for review of Kyoto</i> <i>Parties national</i> <i>communications</i>	Requires development of new guidelines for review of mitigation and finance in national communications and biennial reports								
International assessment and review		Requires development of guidelines and modalities								
	Developing Cou	intries								
Enhanced reporting in national communications	Inventory only at summary level; Information on mitigation actions and support received not required	Requires revision of guidelines								
Biennial Update Reports		Requires development of new guidelines								
General guidance for domestic MRV		Requires development of new guidelines								
International Consultation and Analysis		Requires development of guidelines and modalities, including technical analysis by experts								
	Support for rep	orting								
Enhanced Support	GEF financing for national communications	Guidance for GEF to support improved reporting on an ongoing basis								

To this end it was noted that:

- Better information does not necessarily mean more information rather, the goal should be transparent, useful and comparable information.
- Reporting and consideration processes need to be rationalized to avoid duplication of efforts and minimize the burden on Parties and secretariat.
- Parties should be encouraged to report on the most important mitigation actions, rather than all mitigation actions.
- Given the limited negotiating time available, workshop participants recognized that it will not be possible to complete all MRV and review elements at COP 17 in Durban. Participants expressed interest in ensuring that the first round of biennial reports are submitted, and associated IAR and ICA processes completed, in time to inform the 2015 Review. For this reason, there was general agreement to prioritize completion of basic guidelines for biennial reports at COP 17, with the understanding that these guidelines would be further developed and improved for subsequent biennial reports.
- Participants also considered it important for COP 17 to provide clarity on the role and nature of the ICA and IAR processes. It was suggested that the full details of these processes could be agreed later, if the role and nature could be agreed at COP 17.
- Many participants spoke of the need for all elements of MRV to improve over time. Parties will learn by doing, and guidelines for reporting, review and consultation should be expected to further evolve over time.

Developed country reporting

- Participants discussed the relationship between biennial reports, annual inventories and national communications. They noted that the elements required in biennial reports (inventory, mitigation actions, projections and provisions of support to developed countries) are reported elsewhere. Participants agreed that full national communications will still be important to provide the overall 'big' picture of a Party's response to climate change, but many felt that biennial reports may become the focus of the reporting. All agreed biennial reports should be focused, relatively short and that the first report should provide an explanation of the Party's target or mitigation commitment.
- Participants agreed that supplementary information on progress towards targets should be in a tabular format. It was suggested that the Standard Electronic Format used for reporting under the Kyoto Protocol could provide a basis. However, there was no agreement on the need for Kyoto-style accounting rules.
- Participants agreed that national systems guidelines under the Kyoto Protocol could be adapted under Convention to meet the requirement for national inventory arrangements. It was suggested that the SBSTA should address this through the revision of the inventory guidelines for Annex I Parties.

Developing Country Reporting

• National capacity is big concern with respect to improved reporting by developed countries.

- Two types of problems were cited as barriers to improved reporting in regards to capacity building: institutional (i.e. maintaining trained staff, and coordinating between ministries within country,) and technical (i.e. knowledge of how to measure and report on emissions data). Both institutional and technical barriers need to be addressed. Many early programs to support preparation of national communications are now defunct.
- The capacity of countries to produce inventory on a regular basis is of particular concern. It was noted that regular reporting could provide the mandate for countries to commit resources over the long term. This could reduce reliance on 'buying in' expertise for irregular reporting, as is the current practice in some countries.
- Many developing country participants cited problems in accessing activity data as an ongoing problem. In some cases, other government agencies have the information, but the agency preparing the reports does not have the mandate to access the data. In terms of data collection, the LULUCF sector was viewed as particularly difficult.
- Participants agreed that more resources are needed for improved and more frequent reporting by developing countries. Participants noted that because GEF funding for reporting is sporadic, it does not enable maintenance of domestic capacity over time. It was suggested that Parties should endeavor to move away from the current model (where GEF funding is tied to preparation of a specific national communication) toward one that will facilitate more frequent reporting by maintaining human and institutional capacity over a longer timeframe.
- Differences in the capacity of developing countries will necessitate flexibility in reporting guidelines. It was noted that the current reporting requirements are designed to be achievable by countries with the least capacity. Parties need to find a way to incentivize better reporting by countries to the best of their ability, and to work toward continual improvements over time. Similarly, because of the wide range of mitigation activities it will be difficult to standardize reporting on mitigation.
 - Participants recognized that the OECD¹ proposal for tiered reporting could be useful way to encourage better reporting, while maintaining flexibility. Under such an approach the reporting guidelines would establish minimum requirements for all countries, and provide for additional layers of information and complexity depending on national circumstances and capacities.
 - Some participants suggested differentiation of content and frequency of reporting (e.g. biennial reports) based on criteria such as emission levels. Others felt this was not possible or desirable.
- In addition to the elements outlined in Cancun, participants felt the first biennial report should also contain an explanation of the Party's pledged mitigation actions.
- Guidelines for domestic MRV were not discussed in any depth. However, some participants mentioned that these guidelines could be helpful for all developing countries, not just those with domestically funded mitigation actions, to focus development of institutional capacity.

¹ www.oecd.org/dataoecd/57/60/48073760.pdf

MRV of Finance

- Participants noted that reporting of information on climate change support to developing countries by developed countries is hindered by the fact that definitions of climate funding and related terms (i.e. 'new and additional') are vague, and subject to interpretation.
 - Consistent use of the OECD indicators by developed countries would improve reporting. However, participants did not feel that it would be useful to attempt to develop strict, standardized definitions. This is because it is extremely difficult to quantitatively distinguish financing related to climate activities when there is a dual purpose to that financing, and that strict categorization could miss sources of support. Therefore participants generally felt it is more important that the reporting country clearly explains its use of definitions and categories.
 - Although the current guidelines contain tables for reporting of climate-related support, these need to be updated to reflect evolving financial flows and interests of Parties (e.g. adaptation.)
- MRV of finance would also be improved by development of guidelines for review of national communications. The review should assess the transparency, completeness and comparability of information.
- The discussion also recognized that national communications do not adequately capture private sector climate-related financial flows. Several participants expressed the view that it may be easier and more straight-forward to collect information on private sector flows by the host country rather than the donor countries. Others suggested that other UN agencies could be helpful in collecting information on private sector flows, and UNCTAD's annual "World Investment Report" was cited as an example.
- A number of developing country participants expressed that it would be very useful for donor countries to provide country-specific information on climate support at the activity level. They felt this would assist the host countries in knowing where support is going within their country, as this can be difficult to track and coordinate. It was generally felt that this level of detail would be inappropriate for reporting in national communications, but could be supported in a database. It was noted that country-specific, activity-level information would also facilitate donor coordination of climate-related support.

IAR

- Participants understand IAR having a technical/private component (the review) followed by a more consultative/public component (the assessment).
- There was general agreement that the review component should build upon existing review processes. While the inventory review process is viewed as working well, national communications review should be improved through the development of guidelines.
- Many participants are concerned that adding reviews of biennial reports on top of the current review processes will not be sustainable. The existing review processes do not have sufficient expert participation, and also require substantial UNFCCC resources.

- Consideration is needed of alternative models e.g. bigger secretariat role, and/or a standing group of experts. Some participants expressed the view that the IAR process should focus on larger countries, big emitters – smaller countries could be subject to IAR as a group.
- Participants expressed the need to think about how IAR is coordinated with Kyoto reviews and compliance procedures.
- Participants agreed that the assessment component would be conducted under auspices of SBI (but not necessarily in the SBI) and would consider Biennial Reports and reports of the reviews of these reports.
 - The assessment should be non-confrontational and facilitative, with the objective of increasing transparency. The assessment would include opportunities for questions and response. NGOs should also have the opportunity to submit questions and observe discussion, but their participation would need to be structured and limited.
 - $\circ~$ The assessment should result in an objective record of the discussion and a final summary report.
 - The recent mitigation workshops were cited as a good example of how the assessment could work. Some participants expressed interest in exploring electronic means of facilitating consultations.

ICA

- Discussions of ICA addressed similar issues as those of IAR, but were guided by the fact that there is more clarity in the Cancun agreement regarding principles to be observed in the ICA process.
 - Most participants envisage a technical assessment of the biennial report, followed by consultations including questions and responses from Parties in an open forum conducted under auspices of the SBI.
 - Outputs of the ICA process would be a technical assessment report, an objective record of the consultations, and a summary report. Some participants noted that an in-country visit as part of the technical component would be important for capacity building.
- Under an alternative model presented, there would be no technical assessment of the biennial report. Rather a technical team would facilitate and evaluate the Party's responses to questions raised by other Parties. The outputs of this process would be a record of the consultations and a summary report.
- Participants also discussed the practical feasibility of conducting the ICA process. Most participants do not envisage that ICA would occur for countries that have not submitted a biennial report. They further suggested that the frequency of ICA should be differentiated, so that ICA would be conducted less frequently than every two years for smaller countries. These countries could also be subject to ICA as a group. Other participants expressed the view that all developing countries should be subject to the ICA, regardless of whether a biennial report is submitted, and that differentiation of countries is not acceptable.

• Participants acknowledged the usefulness of an informal dialogue to discuss these issues. It was hoped that further such meetings at the expert level could help progress matters within the UNFCCC negotiations on measurement, reporting, verification and review.

The summary report of the workshop should be read in conjunction with the background papers and the agenda. These documents as listed below are attached to this report.

- Annotated agenda
- Overall background paper
- Questions for discussion on International Consultations and Analysis (ICA) and International Assessment and Review (IAR)
- MRV of Finance and Supported Actions
- Support for implementation of MRV post Cancun



MRV and review informal workshop Rydges Hotel 75 Featherston Street Wellington, New Zealand

24 to 26 May 2011

Annotated agenda

Overall objective for the workshop:

To identify, discuss and begin to resolve issues that will help facilitate the successful adoption of measurement, reporting, verification, and review decisions within the UNFCCC process.

	Day 1 – Tuesday 24 May (coffee breaks and lunch will be scheduled)
8.45am	Registration
9.00am	Opening of workshop Jo Tyndall, New Zealand Climate Change Ambassador
	Overview Aiming for expanded table of contents for guidelines • What we already have as a starting point • Identify the gaps • Anticipated timeline for delivery Introduction: Clare Breidenich
	Greenhouse gas inventories and biennial update reports: Introduction: Jane Ellis, OECD (Frequent and flexible reporting) Part I - Developed countries ² • Guidelines for national inventory arrangements • Progress in achieving emissions reductions • Projections
	 Objective: building on current processes, practices and experience Identify the content and scope of biennial reports, national inventory arrangements and new guidelines. Confirm guidelines for national inventories.
	 Part II - Developing countries¹ National greenhouse gas inventory and NIR Information on mitigation actions Domestic verification of mitigation actions
	 Objective: building on current processes, practices and experience Identify the content and scope of national communications, including national GHG inventories, biennial update reports and respective guidelines. Identify the content and scope of new guidelines to measure, report and verify domestically funded actions.
5.00pm	Welcome function: Hon Dr Nick Smith, Minister for Climate Change Issues

² Finance issues will be taken up on Day 3

	Day 2 – Wednesday 25 May (coffee breaks and lunch will be scheduled)						
8.30am	Guidelines/modalities/procedures for IAR and ICA Introduction: Jane Ellis, OECD						
	 Part I - Developed countries (IAR) Modalities and procedures for international assessment and review of emissions and removals related to quantified economy-wide emission reduction targets, including the role of LULUCF and carbon credits from market-based mechanisms. 						
	 Objective: Elaborate the modalities for International Assessment and Review Identify the content and scope of new guidelines. 						
	 Part II - Developing countries (ICA) modalities and guidelines covering international consultation and analysis 						
	 Objective: Elaborate the modalities for International Consultation and Analysis Identify the content and scope of new guidelines 						
7.00pm	Workshop Dinner						
	St Johns Bar, 5 Cable Street, Wellington						
	Speaker: Dr Adrian Macey, former New Zealand Climate Change Ambassador						

	Day 3 – Thursday 26 May (coffee breaks and lunch will be scheduled)
8.30am	Finance and supported actions Introduction: [Paul Eastwood, NZ Ministry of Foreign Affairs and Trade] Part I - Developed countries
	 Development of modalities and guidelines for the provision of financing, through enhanced common reporting formats, methodologies for finance and tracking of climate related support
	Objective
	 Building on current processes, practices and experience identify where and how existing reporting and review guidelines need to be enhanced.
	 Part II - Developing countries Measurement, reporting and verification of supported actions and corresponding support
	Objective
	 Identify the content and scope of guidelines for national communications and biennial update reports with respect to reporting support received.
	Support for implementation – capacity building Introduction: Mike Enns, Environment Canada
	Objective
	 Identify effective capacity building initiatives for developing countries and scope any additional guidance for the GEF.
	 <u>The path to Durban</u> How to make the best use of the meeting time available
	Sum up
5.00pm	Conclusion of meeting



MRV and review informal workshop Wellington, New Zealand 24 to 26 May 2011

Background paper

The objective of the workshop is to identify, discuss and begin to resolve issues that will help facilitate the successful adoption of measurement, reporting, verification and review decisions within the UNFCCC process.

The attached discussion document is provided to participants to assist with preparation for the workshop. It contains background information and a series of questions. It is not the intention to go through all the questions at the workshop - they are designed to stimulate consideration of the issues and facilitate discussion.

Discussion Paper

The Cancun Agreement on the Outcome of the work of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention (Decision 1/CP.16) established a number of requirements related to measurement, reporting and verification (MRV) of mitigation actions by developed and developing countries, and measurement, reporting and verification of finance, technology and capacity-building support for developing countries. The Agreement also sets up a work programme to develop the necessary guidelines and modalities to implement these requirements.

This paper aims to facilitate consideration of the elements and timing of a work programme for developed and developing countries covering MRV and review. Section I of the paper presents an overview of the MRV and review related requirements of the Cancun agreement. Section II outlines reporting and review procedures already in place under the Convention and the Kyoto Protocol which are relevant to the MRV work programme³. Section III identifies the gaps between the MRV and review requirements agreed in Cancun and what is currently in place. Finally, Section IV raises a number of questions to be considered in completing work on MRV and review.

I. What the Cancun Agreement decided

Decision 1/CP.16 requirements related to measurement, verification and reporting of mitigation actions and on the provision of financial support build upon the Convention's existing provisions related to reporting and consideration of national communications. References below are to the relevant paragraphs of Decision 1/CP.16.

Developed countries

- Annual inventory reports (40(a))
- Biennial reports on mitigation and the provision of finance, technology and capacity-building support (40(a) and 46(a))
 - Include supplementary information on achievement of emission targets (40(b))
 - Improved reporting of finance, technology and capacity-building support (40(c))
- Enhance guidelines for national communications (41 and 46(a))
 - Including a common reporting format for finance (41(a))
 - methodologies for finance and tracking of climate-related support (46(i))
- National inventory arrangements (43)
 - Reporting of information on these arrangements (46(iii))
- Enhance review of national communications (42 and 46(b))
 - Progress in emission reductions (42(a))
 - Provision of finance, technology and capacity-building support (42(b))
 - Biennial report, national inventory systems (46(b))
- International assessment of quantified emission reduction targets under the Subsidiary Body on Implementation (44)

³ Decision 1/CP.16, paragraphs 46 and 66 in document FCCC/CP/2010/7/Add.1

• Include review of emissions and removals and the role of LULUCF and carbon credits from market-based mechanisms (46(d))

Developing countries:

- Enhanced national communications, every 4 years with differentiated timetable and flexibility for LDCs and small-island states and contingent on provision of support (60 chapeau and 60(b))
 - Mitigation actions and effect
 - o Inventories
 - Support received
 - Not more onerous than those of developed countries (60(a))
- Biennial update report from countries, consistent with capabilities and support provided (60(c))
 - Update of national inventory and national inventory report
 - o Information on mitigation actions, needs and support received
- Guidelines for international MRV of internationally-supported actions⁴ (61)
- General guidelines for domestic MRV of domestically-supported mitigation actions (62)
- International consultation and analysis of biennial reports within the Subsidiary Body on Implementation to increase transparency of mitigation actions in a manner that is non-intrusive, non-punitive and respectful of national sovereignty (63)
 - Include analysis by technical experts in consultation with Party and a facilitative sharing of views (63)
 - Information considered (64)
 - national inventory report
 - mitigation actions, including description, impacts, methods and assumptions, implementation progress
 - domestic MRV
 - support received

Support for reporting

- Financial, technological and capacity building by developed countries for preparation and implementation of mitigation actions and reporting to be enhanced (52)
- Recognition of relationship between capacity to report and support received (60(b) and65(c))

II. What is already in place (UNFCCC and Kyoto Protocol)

⁴ Development of modalities and guidelines for facilitation of support to nationally appropriate mitigation actions through a registry and measurement, reporting and verification of internationally supported actions are outside the scope of this paper

Many of the procedures already in place for reporting and consideration of national communications under the Convention and Kyoto Protocol are directly relevant to the MRV elements required by the Cancun Agreement. Some of these provisions need to be expanded upon to fulfill the mandate from Cancun; others can serve as resources for development of new provisions. These existing requirements and procedures are outlined below. Provisions that are relevant to Kyoto Parties only are italicized. Table 1 summarizes the current reporting and review requirements for Annex I and non-Annex I Parties.

Developed Countries

- Annual inventory report, based on revised guidelines adopted in 2006
 - o Use of 1996 IPPC Guidelines and Good Practice Guidance mandatory
 - Common reporting format, sectoral tables, full time series back to 1990
 - \circ National inventory report, containing information on methods and institutional arrangements
 - Kyoto Parties also report use of Kyoto mechanisms and LULUCF in "Standard Electronic Format"
 - SBSTA work underway to again revise the inventory reporting guidelines
- Annual expert review of inventory, based on guidelines adopted in 2005
 - For Kyoto Parties, annual expert review as per guidelines under Article 8 of the Kyoto Protocol
- Kyoto Parties must have national systems for inventory arrangements based on guidelines under Article 5.1
 - Reviewed as per guidelines under Article 8 of the Kyoto Protocol
- National communication report, based on guidelines adopted in 1999
 - Mitigation policies and measures by sector and by gas; implementation status; and, where feasible, quantitative estimates of their effect to date on emissions and projected impact on future emissions and removals.
 - Finance, technology and capacity-building resources provided bilaterally and through the Global Environment Facility (GEF) and other multilateral organizations.
 - Use of standard definitions developed by the OECD's Development Assistance Committee encouraged⁵
 - Use of some general tables for reporting financial contributions
- Expert review of national communication, based on general guidance adopted in 1995
 - For Kyoto Parties further guidance on national communication review as per guidelines under Article 8 of the Kyoto Protocol

Developing Countries

⁵ Since 2008, the OECD has monitored climate-related aid provided by its members to developing countries through its Creditor Reporting System. Although originally focused on support for mitigation only, the system now also tracks support for adaptation.

- National communication report, based on guidelines adopted in 2002
 - Inventory for 1994 or 2000
 - Summary tables only
 - Use of 1996 Guidelines and Good Practice Guidance not mandatory
 - Reporting on mitigation and policies and measures encouraged
 - Reporting on support needs, but not support received
 - No technical review

Current support for reporting

- Global Environment Facility (GEF)
 - $\circ \approx$ US\$100,000 US\$3.5 million per country for preparation of national communication
 - $\circ~$ An additional US\$100,000 per country available to maintain domestic capacity between submissions
- Other programmes:
 - National Communications Support Programme
 - GHG Management Institute
 - o National programmes, such as US Country Studies Program (previously)

	Annex I Parties	Non-Annex I Parties							
Greenhouse Gas Inventory									
Format	Electronic	Hard copy							
Years covered	Annual reporting covering 1990 (or other	1990 or 1994 (1 st NC); 2000 (2 nd NC).							
	base year) to current inventory year.								
Gases	CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ required.	CO ₂ , CH ₄ , N ₂ O required; HFCs, PFCs, SF ₆							
		encouraged.							
Sectoral	Summary tables and sectoral background	Only summary tables are required.							
Disaggregation	data tables required.								
Version of the	Use of 1996 Guidelines and Good Practice	Use of 1996 Guidelines required; use of							
IPCC Guidelines	Guidance required.	Good Practice Guidance is encouraged.							
Documentation	Extensive documentation of methods and	Encouraged to provide information on							
	data sources required in a "national	methods used.							
	inventory report."								
Institutional	A description required in National	Encouraged to describe inventory							
Arrangements	Inventory Reports. Kyoto Parties also	procedures and arrangements							
	report on national systems in national								
	communications, and report changes								
Review	annually.	None							
Review	Annual expert review <i>Mitigation Actions – in national c</i>								
Reporting	Separate chapter on mitigation 'policies	Included under "General Description of							
Structure	and measures', organized by sector and	Steps taken or envisaged to implement							
Structure		the Convention"; no format provided.							
Information	gas.								
	Description, policy objective, status of	Information on planned or implemented							
reported	implementation, implementing entity	measures encouraged							
	required; Estimate of GHG impacts								
	encouraged. GHG emission projections								
Deview	also reported.	Neze							
Review	Reviewed as part of the national	None							
	communication review. Target accounting								
	of Kyoto Parties reviewed annually, in								
Einar	conjunction with inventory review	prt _ in pational communications							
	nce, Technology and Capacity-Building Suppo								
Reporting	Textual description, and general reporting	Not applicable							
Structure	tables								
Information reported	Information on contributions to the GEF,	Encouraged to provide information on							
reported	other multilateral institutions, and through bilateral arrangements, as well as	implementation of capacity-building and technology transfer, but no requirement							
	activities to promote private-sector	to report on support received							
	technology transfer								
Review	Part of the national communication	None							
	review								

Table 1: Current Reporting and Review of Annex I and Non-Annex I Parties

III. Work Needed

Table 2 provides a comparison of the Cancun requirements and existing provisions in the Convention, and illustrates where work is needed to fill gaps. In some of these areas, such as national inventory arrangements, it would be relatively simple to adapt existing guidelines (i.e. national system guidelines under the Protocol) to fill the gap. In other areas, such as the technical analysis of biennial reports, work to develop new guidelines is needed, but could draw on previous experiences, such as the procedures of the expert review process and the Consultative Group of Experts. A number of questions are presented after the table to stimulate discussion of these issues.

Cancun	Current	Work Needed								
Developed Countries										
Annual inventory Reports	Annual Inventory Reports	Guidelines for national inventories currently being revised								
Biennial Reports	<i>Kyoto parties report target accounting annually</i>	Requires development of new guidelines: Mitigation Target accounting finance 								
Enhanced reporting in national communications	Reporting of finance in general tables	Requires revision of guidelinesCommon reporting format for finance								
National inventory arrangements	National Systems guidelines for Kyoto Parties	Requires development of guidelines under the Convention								
Enhanced review	Inventory review guidelines only under Convention; <i>Guidelines for</i> <i>review of Kyoto Parties</i> <i>national communications</i>	Requires development of new guidelines for review of mitigation and finance in national communications and biennial reports								
International assessment and review		Requires development of guidelines and modalities								
	Developing Cou	Intries								
Enhanced reporting in national communications	Inventory only at summary level; Information on mitigation actions and support received not required	Requires revision of guidelines								
Biennial Update Reports		Requires development of new guidelines								
General guidance for domestic MRV		Requires development of new guidelines								
International Consultation and Analysis		Requires development of guidelines and modalities, including technical analysis by experts								
	Support for rep									
Enhanced Support	GEF financing for national communications	Guidance for GEF to support improved reporting on an ongoing basis								

Table 2: Comparison of Cancun requirements and existing MRV provisions

IV. Questions

In addition to the schedule and process for completion of the work areas identified above, Parties will need to address a number of substantive issues regarding the MRV and review requirements established in the Cancun agreement. The questions below are intended to stimulate consideration of these issues, and facilitate discussion at the informal workshop.

- Timing for completion of work
 - Can all work areas be completed before Durban?
 - If not, should certain elements, such as guidelines for biennial reports, be prioritized?
 - Alternatively, could a phased approach be used to improve reporting over time? For example, relatively simple guidelines could be adopted for the first biennial update, with the expectation that the guidelines would be expanded to further improve subsequent biennial updates?
- When should the first biennial reports be submitted?
 - How do biennial reports fit with national communications?
 - \circ How do biennial reports relate to the 2015 Review⁶?
- How should UNFCCC and other meetings be organised to complete the MRV work?
- To what extent can existing guidelines and procedures be used as a basis or model for new reports and procedures?
- Can the current UNFCCC resources and systems cope with an increase in reporting and review? If not, what is needed?

Developed Countries

- Can/should guidelines for national systems under the Kyoto Protocol simply be adopted under the Convention?
- Where should information on national inventory arrangements be reported?
 - Annual inventory report? National communication?
- How should reporting of supplementary information on use of LULUCF and marketmechanism be handled?
 - A standardized table similar to the Standard Electronic Format (SEF) used by Kyoto Parties to report target accounting?
- Is it feasible to adopt common definitions for climate related finance, technology and capacity-building support for use in reporting?
 - Are the Rio Markers sufficient?
 - Can 'new and additional' be defined?
- How much information is needed in biennial reports to ensure they are transparent, comparable and useful, but not overly burdensome?

⁶ 2015 Review as per paragraph 139(b) of Decision 1/CP.16

- Focus on changes since last national communication, e.g. 'update reports'?
- Summary level information with more detailed information available elsewhere (e.g. country web-site)?
- Use of standardized templates?
- How can the review of biennial reports facilitate the SBI's assessment of progress in meeting emission targets?
- How can the provision of climate-related support be effectively reviewed?
 - Can other organizations facilitate the tracking of climate-related support and trends over time?
 - o Is there any role for financial information retained in the registry?
- How should the international assessment process be conducted?
 - Should there be provisions for input from other Parties?
 - Non-governmental organizations and other stakeholders?
- What, if any, information in addition to the biennial reports should be considered in the assessment process?
 - Review report?
 - Additional information from Party?

Developing Countries

- How can reporting guidelines accommodate the different capabilities of developing countries?
 - Would a tiered approach be useful? For example, the guidelines could provide that countries with relatively high reporting capacity could provide more information, or use more complicated methods, than countries with lower capacity.
- Given the diversity of mitigation actions, how can reporting guidelines promote comparability and transparency in information reported?
- How much information is needed in biennial reports to ensure they are transparent, comparable and useful, but not overly burdensome?
 - Focus on changes since last national communication?
 - Summary level information with more detailed information available elsewhere (e.g. country web-site)?
 - Use of standardized templates?
- What type of information on needs and support received by developing countries is most useful?
- What should general guidance for domestic MRV of domestically-funded actions cover?
 - \circ $\;$ How should this information be reflected in national communications?

- How should the technical assessment under the international consultation and analysis be conducted?
 - In-country visit? Desk exercise?
- How should the international consultation be conducted?
 - Should there be provisions for input from other Parties?
 - Non-governmental organizations and other stakeholders?
- What, if any, information in addition to the biennial reports should be considered in the assessment process?
 - Technical assessment report?
 - Additional information from Party?
- Should Parties that do not submit biennial reports be subject to ICA process?
- Do all countries need to report at the same frequency or level? If not, how would that work in practice?

Support for reporting

- What support and capacity building is needed to enable improved reporting on an ongoing basis?
 - Biennial Inventories?
 - Domestic MRV?
- Do any existing or previous support programs provide good models?
 - How can existing support be ramped up?



MRV and review informal workshop Wellington, New Zealand

Questions for discussion on International Consultations and Analysis (ICA) and International Assessment and Review (IAR)⁷

24 to 26 May 2011

⁷ This informal background document was prepared by Jane Ellis, OECD, who would like to thank Gregory Briner and Yamide Dagnet for their comments. The information included is the opinion of the author, and does not necessarily represent the positions of the OECD, IEA or their member countries. This document builds on current and previous work undertaken for the Climate Change Expert Group, e.g. a detailed discussion of ICA, available at <u>http://www.oecd.org/dataoecd/37/42/47856960.pdf</u>. Issues relevant to ICA and IAR will also be discussed at the upcoming Climate Change Expert Group seminar on 19-20 September 2011.

Background

The current system of monitoring, reporting and review under the UNFCCC and Kyoto Protocol is to be scaled-up in future, with both Annex I and non-Annex I countries reporting more information, more frequently. This revised system focuses on emission commitments, actions and support that is 'measurable, reportable and verifiable (MRV)'. New issues are requested to be reported explicitly (e.g. 'progress' on mitigation). Information from all countries will now be subject to international assessment and/or review (Annex I) or to "international consultations and analysis" (non-Annex I).

I Framework questions

- Is there a difference between 'international assessment' (IA) and 'international assessment and review' (IAR)? If so, what?
- Reporting guidelines indicate that NAI reporting in national communications should not be more onerous than that for AI reporting. Is a similar principle needed for ICA? If so, should ICA be not more onerous than <u>review</u> (inventories, NCs) or than <u>IAR</u>?
- How can improvements in reporting be encouraged over time (i.e. incentives)? What happens if countries do not fulfil their reporting requirements?
- Could FCCC Article 13 be used for ICA and/or IAR?
- How do the results of ICA, review and/or IAR feed into the 2013-2015 review?

II What is the purpose and scope of ICA/IAR/review?

	Decision text	Cor	mments/questions
ICA	Para 63 ⁸ : "international consultations and analysis aim to increase transparency of mitigation actions and their effects, through analysis by technical experts in consultation with the [developing country] Party concerned, and through a facilitative sharing of views". ICA will be "non-intrusive, non- punitive and respectful of national sovereignty".	•	What does increased transparency mean? In terms of 'effects' does this focus on <u>how</u> effects are estimated (i.e. MRV methods), and/or on <u>what</u> these effects are (e.g. in GHG or other terms)? Does a facilitative sharing of views include suggestions for improvements? Does ICA focus on all mitigation actions and their effects, or just unsupported ones? Does it include assessment of support needs for adaptation, as well as mitigation?
IAR	Para 44: "decides to establish a process for international assessment of emissions and removals related to quantitative economy-wide emission reduction targets" Para 46d: "decides on a work programmefor international assessment and review of emissions and removals related to quantitative economy-wide emission reduction targets including the role of land-use, land-use change and forestry, and carbon credits"	•	Is there any difference between 'international assessment' and 'international assessment and review'? If so, what? At present, reviews of AI KP NatComs and inventories are forwarded to the compliance committee. What have AI KP experiences been with the compliance committee (enforcement and facilitative branches) and any associated hearings? Should a process for IAR build on such a structure and processes (focusing on <u>what</u> was done)? Or should IAR focus on <u>how</u> (quantitatively) a country is performing in relation to its targets? If so, how could this be done if a target is for a single year only? On what information will IAR be based? Will IAR be based on criteria? If so, what are these criteria, and who will define them? Will a compilation and synthesis of the outcome of IAR of Annex I country targets be carried out? If so, by whom?
Review	Para 42: "decides to enhance guidelines for the review of information in national communications with respect to progress made in achieving emission reductions;provision of financial, technology and capacity-building support".	•	 What in the review guidelines is going to be enhanced, and how? (e.g. content of guidelines, frequency of review, process for review, outcome of review?) Could such enhancement include review of biennial reports? Can governments be required to report on private sector climate finance flows? If not, what proxies could be used? Will review guidelines provide clear guidance on terms used by ERTs (e.g. generally/mostly/broadly) and their meaning?

⁸ All paragraph numbers refer to the Cancun Agreements.

III What information does ICA/IAR/review apply to?

Countries report on different topics in their various reports to the UNFCCC. However, not all topics reported by countries will be reviewed (see table below). All topics reported by AI countries in their NCs are reviewed. A sub-set of these topics will be reported in biennial reports. No mention of reviewing AI biennial reports is made in the Cancun Agreements. In terms of ICA, only the sub-set of topics included in biennial reports will be subject to ICA. Wording on the IAR process implies that the scope of this review is limited to information related to GHG inventories (and potentially projections).

Торіс	Information	to be reported	d in?	Information to be subject to?			
	Nat Coms?	Biennial reports	Other	ICA (NAI)	Review (AI)	IAR (AI)	
National Circumstances	Y	N		N	Y (NC)	N	
GHG inventory	Y	Y	CRF (AI)	Y	Y (inv and NC)	Y	
National inventory report	Y (NAI) N (AI)	Y	NIR (AI)	Y	Y (inv)	Y	
Projections	Y (optional for NAI)	Y (optional for NAI)		Y (if included)	Y (NC)	Y?	
Progress [including offsets]	Y	Y		Y	Y?	Y	
Mitigation actions	Y	Y	NAMA registry* (sub-set of NAI actions)	Y	Y (NC)	N?	
Adaptation actions	Y	N	NAPA ⁹	N	Y (NC)	Ν	
Climate vulnerability and impacts	Y	N	NAPA	N	Y (NC)	N	
Support provided	Y	Y (AI)	NAMA registry*	N	Y (NC)	Ν	
Support needs	Y (NAI)	Y (NAI)	NAMA registry*	Y			
Support received	Y (NAI)	Y (NAI)	NAMA registry*	Y			
RSO	Y	N	GCOS (AI)	N	Y (NC)	Ν	

* Information provided to the NAMAs registry is 'recorded' and not 'reported'. Provision of information to this registry is not obligatory.

IV How often is it done?

- Is each biennial report (for NAI) and national communication (for AI) reviewed? How often is IAR carried out?
- When does this process start? Is a due date to be given for countries' first biennial report?

⁹ NAPAs have been prepared for some NAI countries only.

- If there is 'differentiation' in terms of the content and/or frequency of review/ICA, how is this determined?
- The current process of NC review for AI takes approximately 6 months. How can this be streamlined in order to ensure that the outcome of reviews/IAR/ICA can provide timely feedback to countries and the international community?

V Which stakeholders are involved?

- Who participates in the 'facilitative sharing of views' (ICA)? How, if at all, does this differ from 'international consultations'? How are the 'technical experts' chosen? Are guidelines needed, or can the Party concerned and Secretariat act at their discretion?
- Would IAR have a similar process, and include similar stakeholders? Or would it more closely resemble AI inventory reviews?
- Annex I NC reviews include the reviewed country government, ERT, stakeholders. The national government have the opportunity to comment on the draft report. Would the stakeholders involved in the preparation of the review change in future?

	Decision text	Co	Comments/questions			
ICA	Para 63: " and will result in a summary report".	•	Is the report public? Is the background information used to establish the report public? Are interim reports prepared (e.g. by the ERT) for a wider discussion?			
		•	Does it include recommendations to improve transparency of future biennial reports?			
		•	Does the report reflect information gathered by the expert review team only, or does it also include points raised during 'facilitative sharing of views'?			
IAR	Para 44: [nothing specifically on outcome]	•	Current reviews under the KP can raise 'questions of implementation'. Could similar questions be raise under an IAR process?			
		•	Could IAR result in 'adjustments' (as current inventory reviews for AI)?			
		•	Would the SBI 'assess' these reports, and/or would there be 'international consultations' and/or 'analysis' as part of this assessment?			
Review	ew Para 42: "decides to enhance guidelines" • Current outcomes include in-depth re NCs, annual status reports for GHG i report on inventory reviews. Would fur needed?					
		•	Would the reports be subject to international scrutiny?			

VI What is the outcome?

VII What are the gaps in the framework laid out in Cancun?

Information sources

- Use of background information for the purposes of ICA. Does ICA focus solely on information in a country's biennial report, or can other background documents be used (e.g. if more details are provided in national communications)? Can alternative information be used in the ICA process if a developing country does not produce a biennial report?
- Developed countries have a collective commitment in terms of provision of climate finance, but report separately. What happens to individual countries if the collective commitment is not met?
- An overview of some NAI activities is not included in biennial reports (e.g. adaptation actions, climate vulnerability, any support provided by NAI to other NAI countries, research and scientific observation), so these topics will not be subject to ICA. Is any compilation and synthesis and/or further assessment of these topics needed?

Implementation

- How to ensure consistency between different reviews/IAR/ICA?
- Flexibility is provided for in terms of reporting for some countries. Is flexibility in terms of form, frequency, timing and/or content also needed in terms of review and/or IAR and/or ICA? If so, how?

<u>Resources</u>

- What are the resource requirements of this potentially large increase in review /ICA activities?
- What sources of funding can be used to fill these resource needs?



MRV and review informal workshop Wellington, New Zealand 24 to 26 May 2011

MRV of Finance and Supported Actions Discussion Paper¹⁰

¹⁰ This document in no way represents the official views of the New Zealand Government on climate finance MRV, or sets out a position, but rather seeks to stimulate initial discussion at the workshop.

Introduction

In Cancun, Parties made commitments to provide new and additional resources for adaptation and mitigation in developing countries, and also established requirements intended to improve the measurement, reporting and verification of finance flows and supported actions.

This brief discussion paper provides an overview of some of the main considerations in implementing MRV finance requirements. It first outlines the present situation (our starting point), and gives an impression of what a future finance MRV system might need to comprise (our end point) and the steps needed to get there in order to implement MRV provisions in the Cancun Decisions (1/CP.16).

I Where are we now?

The present system for finance MRV faces a number of challenges. Opportunities exist to improve coherence and coverage in the reporting of climate finance, to improve levels of communication and transparency, and to track progress. Addressing these challenges will be critical to build trust amongst Parties regarding progress in meeting finance commitments and in meeting the defined adaptation and mitigation needs of developing countries.

The challenges of improving systems for the measurement, reporting, and verification of national greenhouse gas emissions and removals are very similar to those facing countries when reporting on the provision of financial resources.

Financial support for implementing climate change actions in developing countries is reported periodically by Annex 1 Parties through national communications. Guidelines for financial reporting were developed in 1999, and are relatively simplistic. Requirements are to report on financial support provided bilaterally and through the GEF and other multilateral organisations. Several template tables are provide to guide Annex 1 Parties in recording this information – see Table 1 for an example.

These tables represent the primary means to record financial information on climate change resources provided by Annex 1 Parties. However they raise a number of important questions such as:

- What are the definitions of adaptation and mitigation?
- What are the definitions of the sub-sectors, e.g. industry?
- How much of the amounts presented in the table are directly addressing climate change?
- Do these amounts comprise grants, loans or some other form of finance?
- How has 'new and additional' been defined?

The same set of questions apply to the financial information provided on contributions to multilateral organisations or funds. How much is reported: the total amount provided annually or an estimate based on the proportionate amount each organisation programmes on climate change? If the latter, then what criteria and definitions are used to determine adaptation and mitigation financing?

This points to one of the central problems with MRV of finance: *the challenge of measuring levels of climate finance in the absence of agreed and universally applied definitions*. The absence of

definitions makes it difficult to adequately record and track finance flows on a like-for-like basis across contributing countries.

The situation is made more complex when considering that reporting via national communications presently only captures public finance, whereas the Cancun decision is clear that climate finance may include private flows and investments, and alternative sources.

Public finance as reported in national communications typically consists of flows that donors report on annually to the OECD Development Assistance Committee. Standard markers and definitions for adaptation and mitigation (the Rio markers) are in place and are being used by donors to report on annual levels of public finance. While not without its problems, it is the only system currently in place to standardise the recording of climate finance from any source.

MRV for private finance poses a different set of challenges, as there are no formal definitions and no dedicated systems in place that comprehensively capture all flows. Levels of foreign direct investment are captured by UNCTAD although in aggregated form, i.e. climate related investments are in themselves not defined.

This highlights a second major challenge facing finance MRV: *the lack of an adequate mechanism* (or mechanisms) for tracking and reporting all financial flows, both public and private.

The challenges posed by a lack of definitions of climate finance (creating problems for measurement) and the lack of comprehensive systems for tracking and recording all relevant financial flows (creating problems for reporting), lead to an inability to comprehensively verify levels of finance both provided and received.

Given that, over time, finance is expected to come from a wide range of sources, a 'contributor' of finance could take the form of – to give a few examples – a sovereign government, an independently managed international fund, or a private sector firm. This raises the question of whether finance is best verified at source (i.e. the finance provider or contributor), where received (e.g. developing country sovereign government, sub-national entity, private firm etc), or a combination.

Annex 1 national communications undergo a process of review by an independent panel. For Annex 1 countries this means that information on public finance provided is subject to a degree of independent verification and scrutiny. Non-Annex 1 countries, in generating their national communications, are not required to report on the support they have received. The private sector, as an important source of finance and technology generally falls outside of the national communication process because of the difficulties governments face in collecting this type of information. The current verification regime therefore contains a number of important gaps, creating a third major challenge: *how to adequately verify future flows of climate finance both provided and received*.

II Where are we headed?

Below is a summary of MRV requirements contained in decision 1/CP.16 that impact on finance (and technology and capacity building) both provided and received.

Developed countries

• Biennial reports: new requirement

- National communications: enhanced guidelines, including a common reporting format for finance, methodologies for finance, and tracking of climate-related support
- Review: of biennial reports, and enhanced review of national communications

Developing countries

- Biennial update report from countries, consistent with capabilities and support provided, to include information on support received
- Enhanced national communications, every 4 years with differentiated timetable and flexibility for LDCs and small-island states and contingent on provision of support
- Guidelines for international MRV of internationally-supported actions

The new reporting requirements, covering biennial reports and national communications, and guidance for how they should be prepared, will help improve the capture and communication of climate finance information.

Referring back to the three main challenges outlined earlier, some of the issues to consider by workshop participants are:

(i) The challenge of measuring levels of climate finance in the absence of agreed and universally applied definitions

- To what extent can new and improved guidelines help to define climate finance in its various forms and standardise measurement?
- On which aspects of the guidance can progress realistically be made at a technical level, and where will political judgements be required?
- If agreed and universally applied definitions are out of reach, how can we improve transparency?

(ii) The lack of an adequate mechanism (or mechanisms) for tracking and reporting all financial flows, both public and private

- Will the combination of biennial reports and enhanced national communications be sufficient on their own to adequately capture all finance flows, or only a subset?
- To what extent could / should the underlying data systems be improved?

(iii) How to adequately verify future flows of climate finance both provided and received.

- Are common provisions achievable for the verification of finance provided and received spanning both developed and developing countries?
- Should verification procedures capture private finance and, if so, where would this best take place: in the contributing entity, the recipient entity, or both?

Table 1: Standard template for recording bilateral and regional financial contributions related to the implementation of the UNFramework Convention on Climate Change.

	Mitigation						Adaptation			
Recipient country/region	Energy	Transport	Forestry	Agriculture	Waste management	Industry	Capacity building	Coastal zone management	Water resources	Other vulnerability assessment
Country 1										
Country 2										



MRV and review informal workshop Wellington, New Zealand 24 to 26 May 2011

Support for implementation of MRV post Cancun Discussion Paper

Introduction

While not yet fully implemented, it is clear the Cancun Agreements will increase the reporting obligations faced by all Parties. This will place a larger burden on developing countries in particular.

Our immediate challenge is to identify where the greatest needs will arise post-Cancun, and to determine how support can be best directed to meet these challenges. Fortunately, there are existing funding mechanisms in place and much work has been done in this area that we can use as a starting point.

I What Kinds of Reporting Challenges do Countries Face?

Considerable work has been done to identify the challenges developing countries face in meeting international reporting obligations. While these challenges are complex and vary greatly by country and region, many countries identify two groups of challenges¹¹:

<u>Institutional</u>: Challenges in acquiring and keeping capable, expert staff responsible for reporting and establishing the capacity to store relevant data and effectively share it within their governments.

<u>Technical:</u> A lack of well developed country and region specific climate scenarios and methodologies and climate predictions models for assessing vulnerability.

II What Kinds of Support is Available now?

Direct Funding Support:

- **The Global Environment Facility (GEF):** The GEF has set aside \$80 million in resources under the climate change focal area for the 2010-2014 period to support enabling activities under the UNFCCC, particularly national communications. Under GEF5, reforms will allow countries to access up to \$500,000 to support development of their national communications on an expedited basis directly, rather than be required to access funding from one of the GEF Agencies. Those countries seeking more funding can do so through their climate change allocations under the System for Transparent Allocation of Resources¹².
- *Multilateral and Bilateral Aid Support:* A number of countries and groups of countries are engaged in efforts to develop reporting capacity in developing countries that include the provision of financial support. There are too many initiatives to list here, but the Petersburg Dialogue is doing some interesting work to catalogue these efforts in a public database.

Technical Assistance:

• **Consultative Group of Experts (CGE)**: The Conference of the Parties (COP) established the CGE in 1999 with the objective of improving the process of preparing national communications by non-Annex I Parties. The CGE provides technical advice and support to developing countries, including workshops and hands-on training.

¹¹ Progress Report on the work of the Consultative Group of Experts on National Communications from Parties not included in Annex I of the Convention (November, 2010). <u>http://unfccc.int/documentation/documents/items/3595.php#beg</u>

¹² Countries can access up to \$500K from the GEF in one of three ways: 1) Direct access; 2) through a GEF agent; and 3) through the UNEP Umbrella projects under development¹².

- **The UNDP National Communication Support Programme**: This program is funded by the GEF to offer various forms of support, including technical trainings at the sub-regional level, geared towards enhancing national capacities in preparing elements of national communications. The current funding envelope expires this year.
- UNFCCC Secretariat/US/Japan initiative Workshop of GHG Inventories (WGI): This initiative was launched in 2003 to assist developing countries in preparing national inventories. A number of workshops were held in South East Asia and then Africa where countries received instruction on the analytical skills necessary to complete inventories to UNFCCC standards.

Other Research and Workshops:

- There are a number of workshops each year that engage in substantive work to develop guidelines as well as to familiarize high-level officials with the benefits of effective reporting and gain political buy-in. The OECD's Climate Change Experts Group and the Cartagena Dialogue are two important examples.
- Non-Governmental Organizations such as the World Resource and Pew Centre also make an ongoing contribution developing new ideas to improve international reporting and, in a number of cases, work directly with developing countries to improve data collection and international reporting efforts.

III Key Questions to Address

- What new capacity needs have the Cancun Agreements created with respect to reporting?
- What opportunities do we have to address the ongoing issues with reporting in many developing countries and improve how support is provided?
- How can we ensure support flows to where it is needed most in the most efficient way possible?
- What kinds of training will be needed moving forward? Can the existing support mechanisms meet the new challenges? Could they be better coordinated?