

## Framework for various approaches

### SBSTA 41

The Environmental Integrity Group (EIG) welcomes the opportunity to submit its views on the work programme under SBSTA to elaborate on the design and operation of a framework for various approaches (FVA), based on the suggestions contained in SBSTA 40 conclusions.

The EIG would like to reemphasise the important purpose of the FVA which is to promote the development of mitigation actions in a cost-effective way and therefore to contribute to address the urgent need for further global ambitious mitigation action, before and after 2020.<sup>1</sup> In support of SBSTA 40 conclusions<sup>2</sup> the EIG aims at a substantive decision on the FVA at COP 20.

### 1. Introductory Remarks

The view of the EIG regarding the FVA in general is guided by the relation of the FVA to the New Market Mechanism as well as to the Non-market based Approaches, as visualized below:

Framework for Various Approaches, FVA			Outside FVA
Market approaches		Non-Market-based Approaches, NMA	
New Market Mechanism, NMM	Other market mechanisms (incl. bilateral agreements)	Accountable NMA <sup>3</sup>	Non-accountable NMA <sup>4</sup>

<sup>1</sup> EIG submission on FVA, September 2013, [https://unfccc.int/files/cooperation\\_support/market\\_and\\_non-market\\_mechanisms/application/pdf/fva\\_environmental\\_integrity\\_group.pdf](https://unfccc.int/files/cooperation_support/market_and_non-market_mechanisms/application/pdf/fva_environmental_integrity_group.pdf)

<sup>2</sup> see FCCC/SBSTA/2014/L.10 No. 9

<sup>3</sup> Accountable NMA means NMA accountable toward an emission reduction target of a contributor country.

<sup>4</sup> Non-accountable NMA means NMA that cannot be accountable toward an emission reduction target of a contributor country; it is only accountable toward the emission reduction target of the host country.

In order to foster mitigation action, the framework should include activities developed inside and outside the UNFCCC process, where a country voluntarily transfers some of its emission reductions to another country that voluntarily accounts them towards its emission reduction commitments as long as the activities meet the common requirements that will be defined. Common requirements under the framework are not intended to be applicable to domestic mitigation policies and measures whose effect will be reflected in national inventories, but rather to emission reductions with an international dimension (transfers).

The framework should include market approaches and non-market based approaches, with non-market-based approaches to be understood as mitigation activities carried out in one country, with voluntary participation, and directly accounted for in another country, without internationally transferable units being issued to the participants in the mitigation activity.

## **2. Elaboration on possible design and operation of the FVA**

The EIG submission follows the suggestion by SBSTA 40 to elaborate on the characteristics of the framework for various approaches. SBSTA 40 suggested that the submissions could address, inter alia, whether and how approaches:

- Meet the standards referred to in decision 2/CP.17, paragraph 79, and decision 1/CP.18, paragraph 42 as well as standards that are comparable to standards under the UNFCCC;
- Enable the accounting, at the international level, of mitigation outcomes;
- Allow for participation, including through possible eligibility criteria;
- Provide co-benefits, including, but not limited to, their contribution to sustainable development, poverty eradication and adaptation;
- Have effective institutional arrangements and governance;
- Relate to international agreements.

### **2.1 Meet the standards referred to in decision 2/CP.17, paragraph 79, and decision 1/CP.18, paragraph 42 as well as standards that are comparable to standards under the UNFCCC**

- How do the approaches deliver real, permanent, additional and verified mitigation outcomes?

A key condition for the delivery of real, permanent, additional and verified mitigation outcomes is to ensure a high data quality. Thereby experiences from the UNFCCC In-

ventory Systems as well as from the CDM monitoring methodologies should be taken into account, including monitoring and verification reports, independent verification requirements and publicly available information in English.

In addition to that, further ways to reduce leakage and to ensure the permanency of emission reductions have to be elaborated.

However, the activities to be included under the framework should be left to the responsibility of the participating country Parties to choose;

- How do FVA approaches avoid double counting of effort?

In order to ensure that FVA approaches avoid double counting of efforts an adequate common accounting and tracking rules system needs to be enacted. For this purpose, registries and the use of a common tool for tracking units are necessary. In order to allow synergies and efficient use of resources, the ITL, which is currently used only for CDM, JI and IET, should be extended to the units resulting from the activities under the FVA that have successfully passed the conformity checks. Using the ITL for all international activities eligible for meeting commitments which include targets or actions would ensure that a unit, once issued, cannot be transferred to two entities at the same time and that a unit can be used only once for meeting a commitment.

In order to develop a set of adequate common accounting elements, the context of the market or non-market based activities under the framework is important. For example, it is important to determine *ex ante* what part of the emission reductions of an activity will belong to the buyer country and what reductions will be accounted for by the host country in order to avoid double counting.

In addition, a comprehensive recording of activities and installations covered by various mechanisms is needed so that the same reduction in emissions is not rewarded twice through two different instruments. This comprehensive recording could be done either at the UNFCCC level or at the national level with transparent implementation and publicly available information. To implement this comprehensive recording across mechanisms, increased interactions and synergies between mechanisms both under the Kyoto Protocol and the Convention are needed.

- How do FVA approaches achieve a net decrease and/or avoidance of greenhouse gas emissions?

Approaches under the FVA should go beyond pure offsetting by achieving a net decrease/avoidance of emissions that should lead to reductions beyond the commitment of both the buyer and the host countries.

The EIG understands “a net decrease and/or avoidance of global greenhouse gas emissions” as safeguard within a market based mechanism which leads to more abatement than credited, i.e. that the ratio of actual abatement to credits issued is greater than 1.<sup>5</sup> Therefore a certain share of the resulting emission reductions is neither used for compliance by a buyer country nor used by the host country for compliance with its commitment. There are mainly two ways for achieving this net decrease and/or avoidance of greenhouse gas emissions: one way is that no units would be issued from these reductions but demonstrated to occur in addition to the existing reduction commitment of a host country. Another way would be a post-issuance discount or cancellation by the buyer or host country where the emission reductions take place in segments of the economy covered by the commitment.

- How do FVA approaches meet standards that are comparable to standards under the UNFCCC

As already stated, experiences from the UNFCCC Inventory Systems as well as from the CDM monitoring methodologies should be taken into account when developing approaches under the FVA. If approaches diverge from these UNFCCC standards then the applying country Party should give comprehensive reasoning for this divergence in the conformity check process. This would generally ensure that the common starting ground for the development of mechanisms under the FVA would be at least comparable to the UNFCCC standards while at the same time ensuring a transparent way for providing flexibility in order to take national circumstances into account. However, it must be ensured that standards that diverge from standards under the UNFCCC are in accordance with the basic principles of the FVA.

## **2.2 Enable the accounting, at the international level, of mitigation outcomes**

The accounting of mitigation outcomes at the international level should be enabled by

- the use of registries under the responsibility of each Party to the Convention,
- the use of the International Transaction Log (ITL) to be managed by the Secretariat, and

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<sup>5</sup> SEI(2013), Potential for International Offsets to Provide a Net Decrease of GHG Emissions, Working Paper (2013-06), Stockholm Environment Institute

- a central registry under the UNFCCC for countries that do not have capacities to administer their own registry.

The international accounting (and tracking) of units or outcomes from activities under the FVA may be ensured by the issuance of units or outcomes into the registry system. However, only activities that have successfully passed the conformity checks, by an executive body or by a designated national authority under close scrutiny of the executive body and the Secretariat (or, in the case of non-market based approaches, with confirmation by the executive body of the amount of emission reductions) may be issued into the registry and transferred to the buyer country and deducted from the host country.

### **2.3 Allow for participation, including through possible eligibility criteria**

The FVA needs to provide the participating countries a certain freedom and flexibility when developing FVA-eligible mitigation approaches. Hence, the participating host countries have to define the segments, sectors, subsectors or policies and the scope of the emission reduction activities to be included under the framework.

Nationally developed emission reduction activities that are intended for being recognized in other countries for meeting their commitments, will need to successfully pass the respective conformity checks. The conformity checks should be carried out by an executive body in a non-political manner.

Emission reduction activities that have successfully passed the conformity checks are eligible for meeting commitments under the Convention. Iterations through the review process after adequate revisions of the proposed activities are possible, but activities which do not successfully pass the conformity checks cannot be recognized for meeting commitments under the Convention.

### **2.4 Provide co-benefits, including, but not limited to, their contribution to sustainable development, poverty eradication and adaptation**

The approaches should also provide co-benefits like contribution to sustainable development. The regulatory framework of how to ensure such contribution should be within the responsibility of the participating host countries based on national circumstances. In addition, activities under the FVA could generate a possible share of proceeds to cover administrative expenses (depending on the administrative work load on the international level), to

support capacity building for market mechanisms and to assist developing countries for adaptation.

## **2.5 Have effective institutional arrangements and governance**

The institutional arrangements of the approaches should be assessed against a set of criteria to ensure the environmental integrity and against the technical specifications to avoid double counting. This assessment will be in the form of conformity checks, to check that the approaches fulfil the common accounting elements and the guidance on common requirements. The result of the assessment, if positive, is to allow recognition of activities as eligible for meeting commitments. In order to ensure an effective institutional arrangement and governance the following arrangements should be considered within the set-up of the FVA:

(a) Extension of the ITL managed by the Secretariat to allow its use for activities under the Convention;

(b) Extension of existing national registries, establishment/consolidation of registries for countries not connected to the ITL yet, and establishment of a central registry under the UNFCCC for countries that do not have capacities to administer their own registry;

(c) National arrangements (similar to the appointment of a Designated National Authority or a Designated Focal Point) for the international coordination of the activities;

(d) Appointment of an executive body under the COP or outside the Convention, taking into account the need to harmonize procedures and rules across mechanisms both under the Convention (for the FVA and the NMM) and the Kyoto Protocol (CDM EB, Joint Implementation Supervisory Committee or a possible successor resulting from the revision of the JI guidelines).

## **2.6 Relate to international agreements**

The FVA strongly relates to the 2015-agreement since market mechanisms aim at promoting the development of mitigation actions, scaling up mitigation in a cost-effective way and therefore addressing the urgent need for global ambitious mitigation action.