

Ricardo-AEA

Building credible, consistent and compatible MRV infrastructure to support global mitigation action

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Agenda

- 1. MRV infrastructure overview**
- 2. What do we mean by ‘credible, consistent and compatible’?**
- 3. Opportunities and challenges associated with compatibility**
- 4. Different shades of compatibility**

Ricardo - AEA is one of the world's leading energy and climate change consultancies, with over 220 climate change and sustainability experts, providing analysis and solutions for major environmental challenges worldwide.

We have worked at the heart of ground breaking technical and policy developments across the environmental spectrum for the last 40 years, and continue to play a lead role as advisor to governments, international institutions and major corporations.

- **Heritage**

- Air quality and clean air policy -1950's
- Energy efficiency and consequences of oil crisis -1970's
- Climate change and sustainability - 1980's
- Resource efficiency and resource productivity- present

- **Environmental expertise**

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- **Services**

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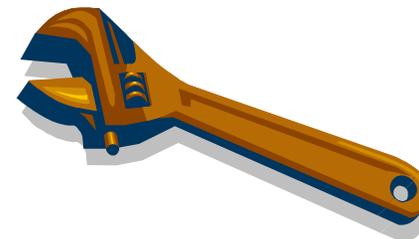
Global Projects

- CDKN Climate Negotiator Training for LDCs
- Information Matters - MRV capacity building in Chile, Dominican Republic, Ghana and Philippines
- OECD review of Nanotechnology in Tyres

○ Office Location ● Project Location

1. MRV infrastructure overview: what do we mean by 'MRV infrastructure'?

- MRV rules and procedures:
 - **M**easurement – emissions data
 - **R**eporting – communication of data to relevant stakeholders
 - **V**erification – data review to ensure quality
- Institutional structures:
 - Responsibilities for setting and enforcing MRV tasks allocated to Ministries, departments, agencies
 - MRV processes to be implemented
 - Coordination/communication among responsible institutions and stakeholders
- System architecture:
 - Reporting system
 - Trading registry
 - Trading platform



2. What do we mean by ‘credible, consistent and compatible’?

- **Credibility** *often* refers to an MRV approach which:
 - is robust or trustworthy
 - especially if it uses internationally acknowledged standards.
- **Consistency** *often* refers to ensuring the internal consistency within a MRV dataset over time. For example, MRV in the context of greenhouse gas inventories:
 - “Consistency means that an inventory should be **internally consistent in all its elements over a period of years**. An inventory is consistent if the **same methodologies** are used for the base year and all subsequent years and if consistent data sets are used to estimate emissions or removals from sources or sinks...¹”.
- **Compatible** *often* refers to consistency or alignment of the MRV approaches between two carbon systems.

3. Opportunities and challenges associated with compatibility: RICARDO-AEA what could we gain from improving compatibility of MRV infrastructure?

- **Opportunities** that could result from greater compatibility of MRV infrastructure could include:

Opportunities	Rules and procedures	Institutional arrangements	System infrastructure
Potential economies of scale; reduced duplication of efforts from standardisation	√		√√
‘Learning together’ and spreading best practice (↑credibility and ↑consistency)	√√	√	√
Increased efficiency for companies/ organisations who need to comply with MRV requirements in multiple countries	√√	√	√
Support future linking and fungibility of units	√√		√

- Suggests there are the greatest number of opportunities associated with compatible rules and procedures...and the least from compatible institutional arrangements?
- Compatibility requirements may vary depending on the function/objective, hence may vary over time if the function/objective changes.

Opportunities and challenges associated with compatibility: what are the challenges associated with improving the compatibility of MRV infrastructure?

- **Challenges** associated with increasing the compatibility of MRV infrastructure apply equally to rules & procedures and system infrastructure, including:
 - One size may not fit all (also note that compatibility may not always mean ‘one size’)
 - Different capacities
 - Could favour the lowest common denominator (↓credibility)
 - Could favour an overly ambitious approach, which may deter widespread participation
 - Requirement for coordination and leadership

Opportunities and challenges associated with compatibility: what could a win-win solution look like?

- Should our least goal be to **achieve a minimum level of compatibility now**, to avoid locking out the achievement of greater levels of compatibility we may wish seek to achieve in the future?
- Should we be **focussing on compatibility with respect to MRV rules and procedures**, since these could provide the greatest number of opportunities – but encourage countries to **cooperate bilaterally with respect to system infrastructure**, where there is mutual interest in achieving economies of scale?
- What **lessons can be taken from existing rules and standards**, and system infrastructure?
- Who to take the role of **coordination and leadership**?
- Looking beyond MRV, are there **other aspects of carbon market design** that we could benefit from having greater global cooperation on? (e.g. benchmarking, tools for cap-setting, etc)



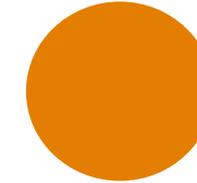
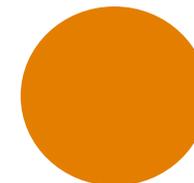
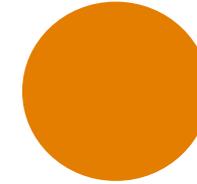
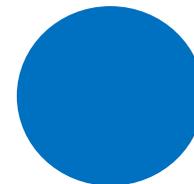
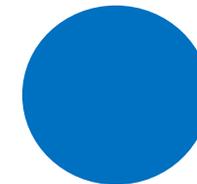
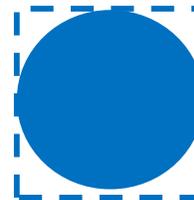
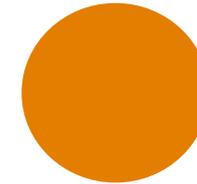
3. Different shades of compatibility?

Country A 's MRV:

- Rules and procedures
- Registry architecture

Country B's MRV:

- Rules and procedures
- Registry architecture



● **Incompatible**

● **Compatible if systems are adapted**

● **Equivalent** (but not the same)

● **Harmonised** (the same)

→ The level (what depth of compatibility- scope, accuracy) and type (rules and procedures, registry architecture, etc) of compatibility required will differ depending on the objective

Different shades of compatibility?

...if incompatibilities remain and further adjustments to either possible are not possible, is there a way to make them more tolerable or acceptable?

- For example, with respect of linking, where the highest level of compatibility may be needed:
 - a **restriction in the scope of the link** could be considered to reduce (but not remove) risks to the integrity of either system from linking:
 - restrictions in either the **quantity** of units exchanged, **type** of units or **timeframe** over which units are exchanged
 - those restrictions could be placed:
 - on the (quantity, type, vintage) of foreign units **used by participants for compliance**
 - on the (quantity, type, vintage) of foreign units which can **enter either scheme**.
 - a minimum level of compatibility may still be required.



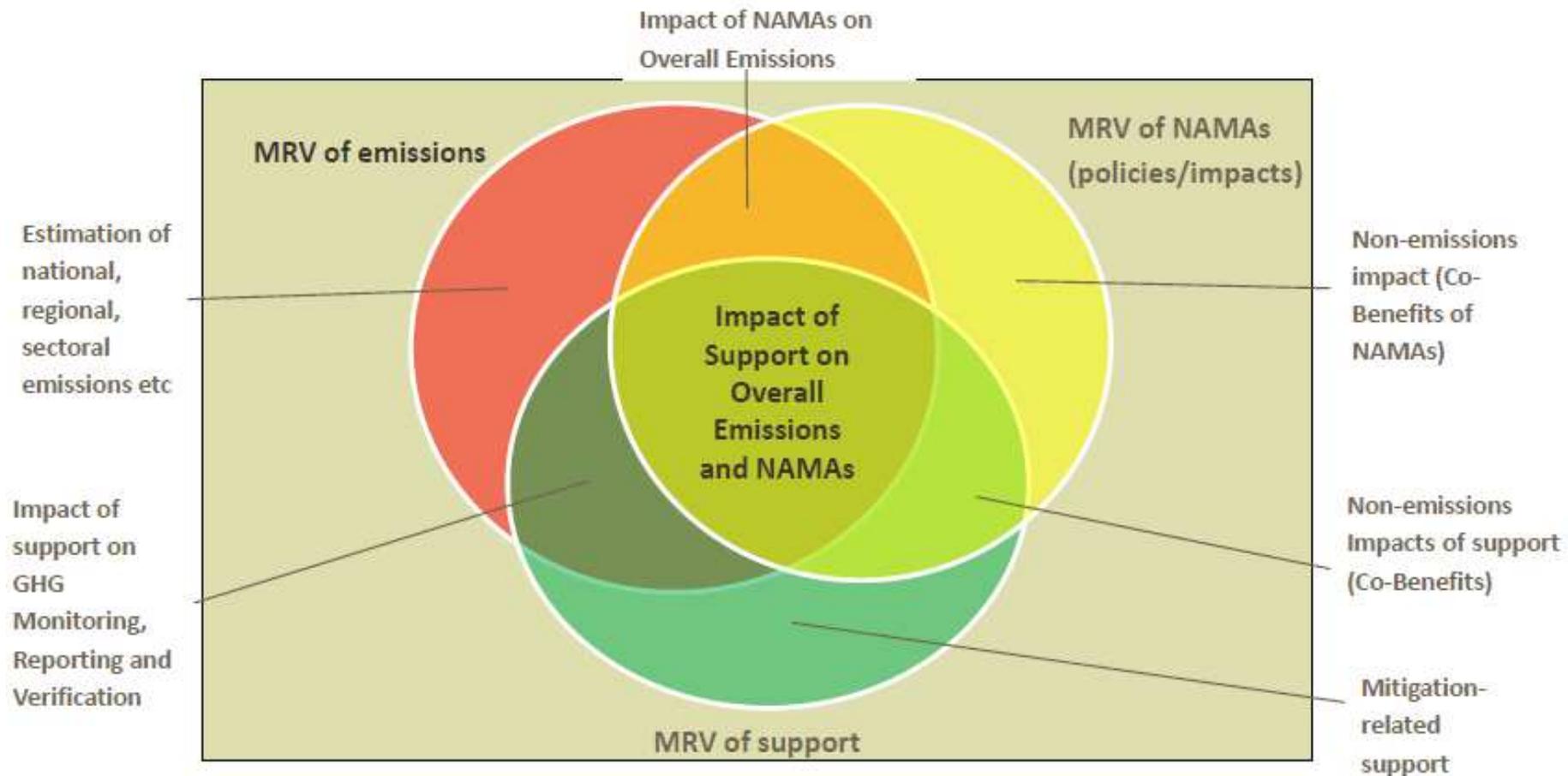
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The National MRV System:

Interaction between MRV of emissions, NAMAs and Support



Opportunities	Challenges
Potential economies of scale; reduced duplication of efforts from standardisation	One size may not fit all
'Learning together' and spreading best practice (↑credibility and ↑consistency)	Could favour the lowest common denominator (↓credibility)
Increased efficiency for companies who need to comply with MRV requirements in multiple countries	Could favour an overly ambitious approach, which may deter widespread participation
Support future linking and fungibility of carbon units	Requirement for coordination and leadership between countries