



# Options for emissions accounting under UNFCCC and relevance for market mechanisms

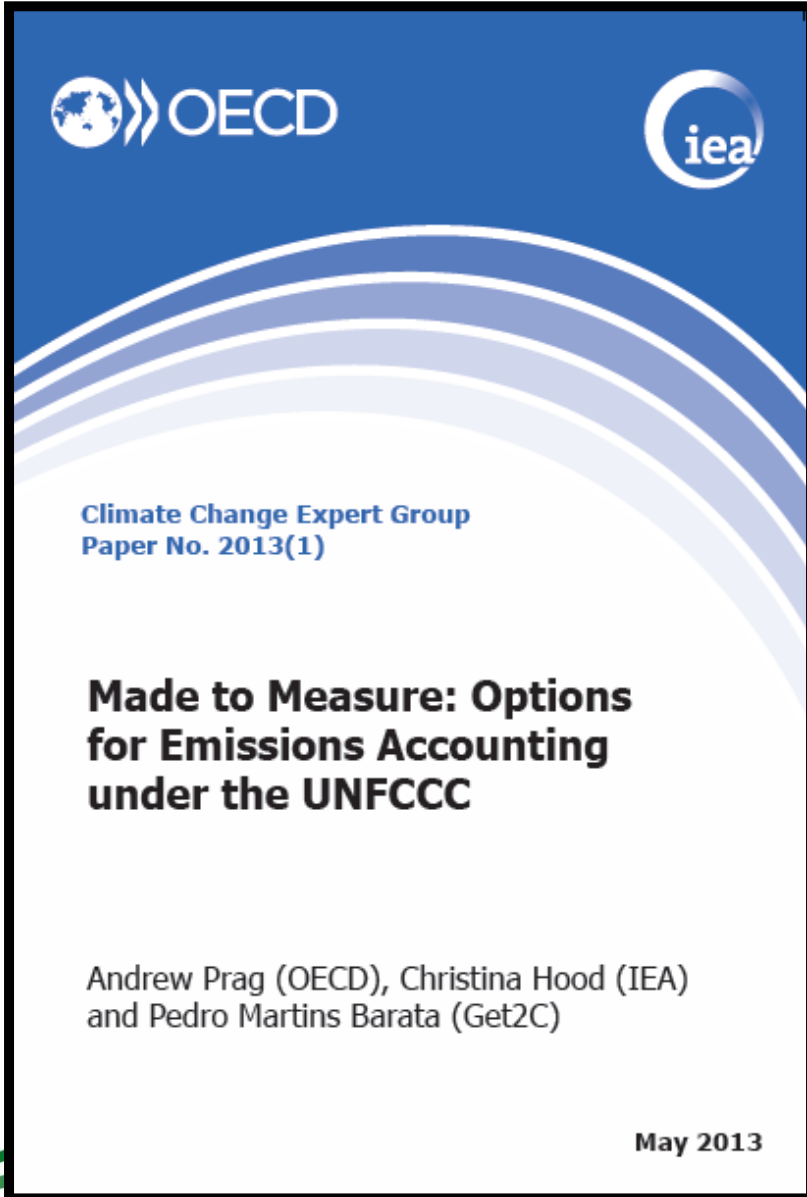
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# Overview

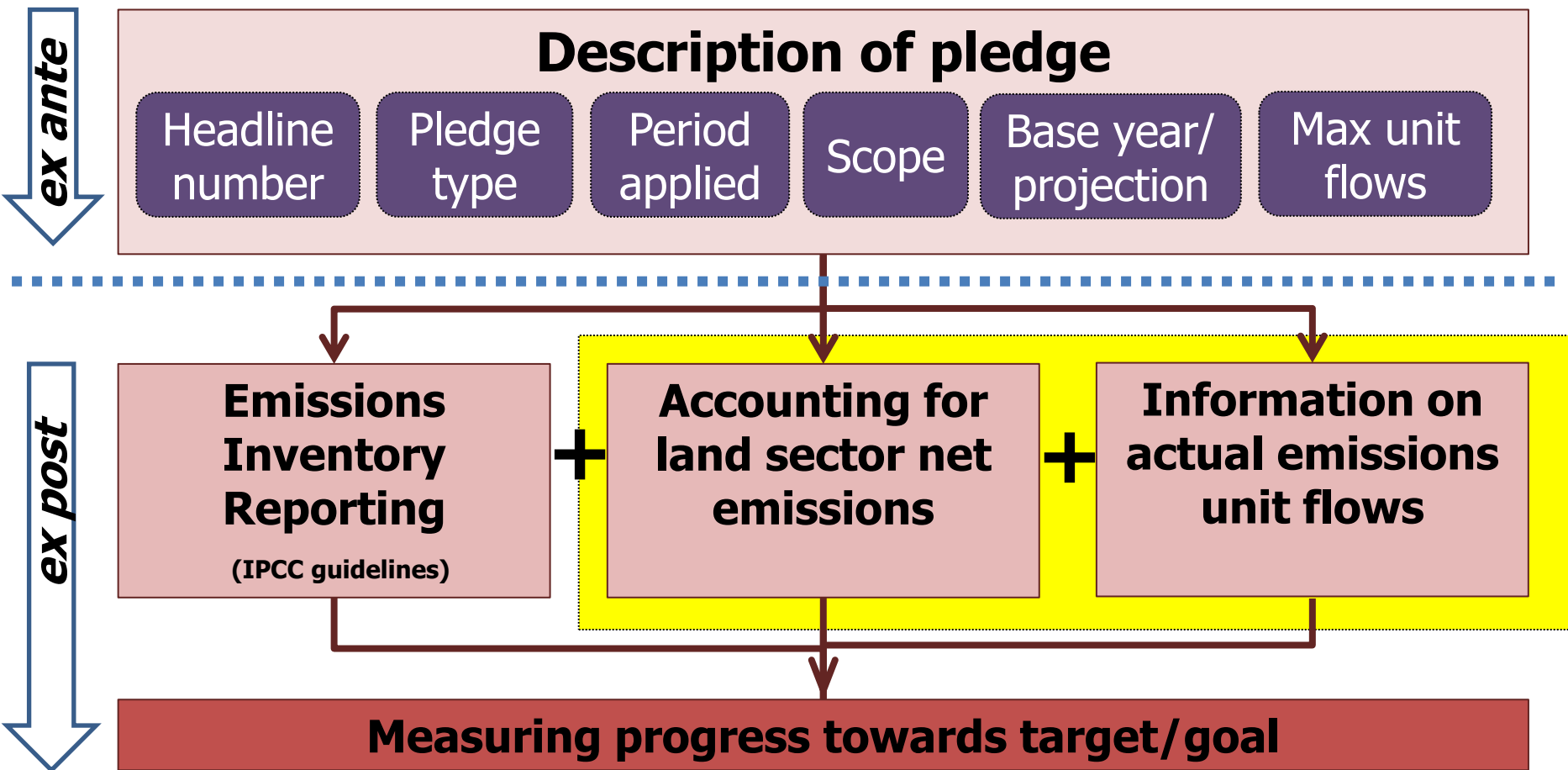
- New OECD/IEA paper on emissions accounting options for UNFCCC
- What influence can UNFCCC accounting framework have on domestic market activities?
- Key issues for UNFCCC accounting: “double-claiming” and single- versus multiple-year targets
- Options for tracking and reporting unit flows under UNFCCC
- Discussion questions on relevance for domestic mechanisms

# Towards an accounting framework under UNFCCC

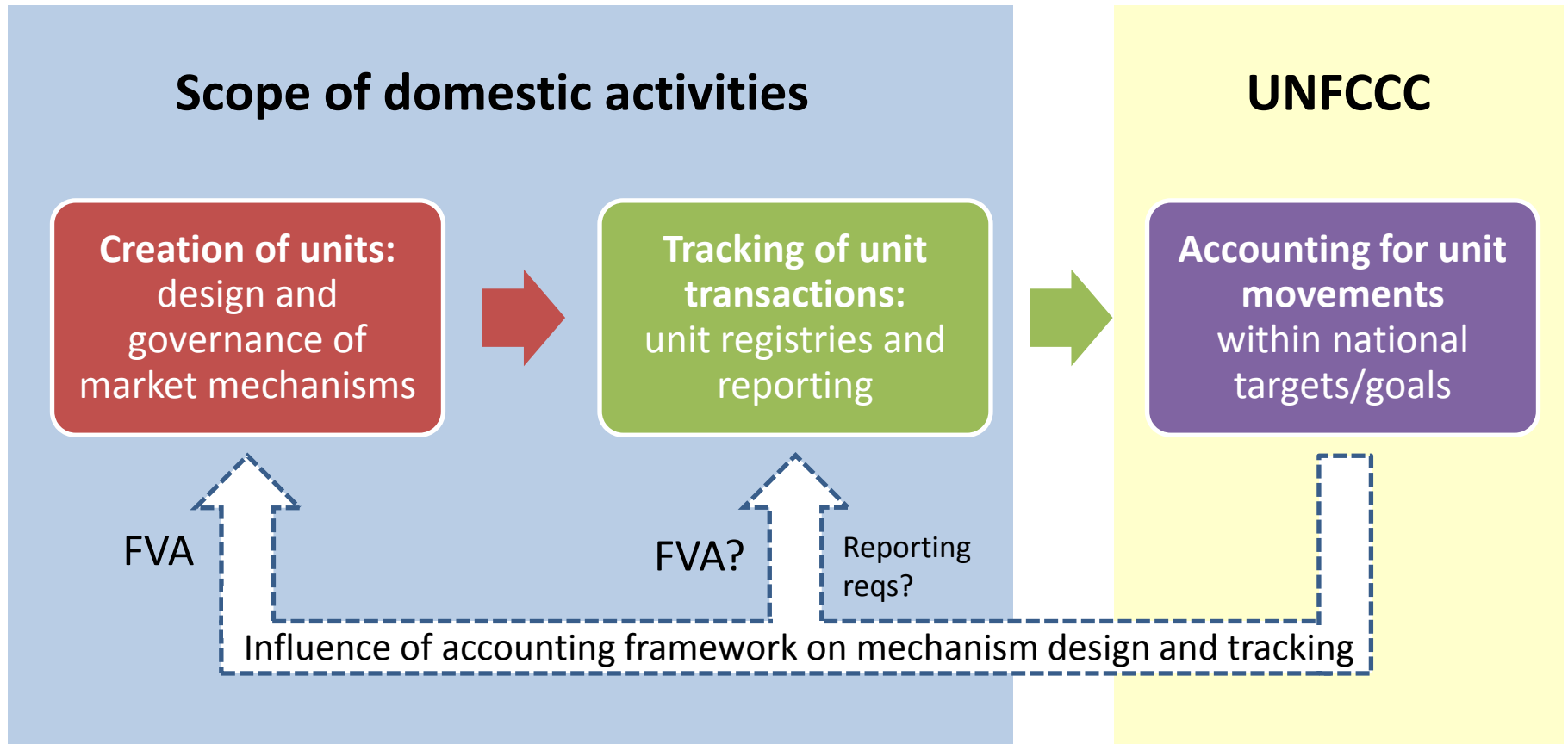


- Developed and developing countries have put forward 2020 targets and goals
- Differentiated **UNFCCC reporting requirements**, including biennial reporting
- Apart from Kyoto Protocol, do not yet have an accounting framework for **transfers of market units** and **land-use emissions/removals**
- Decisions on accounting may affect design of domestic market mechanisms

# Elements of an accounting framework for diverse pledge types



# “Life cycle” of units: influence of UNFCCC on domestic activities?



# Which unit flows matter for UNFCCC accounting?

- **Two conditions** to decide whether unit flows matter for UNFCCC accounting:
  - ◆ “Used” by a country as **counting directly towards a pledge** under UNFCCC
  - ◆ Originating **outside of the country’s pledge boundary** (geographic, scope or temporal)
- Many unit types could be relevant:
  - ◆ **Credits** from offset/credit mechanisms
  - ◆ **Allowances** from linked domestic trading systems
- How to be sure in advance **which units Parties may count towards pledges?**

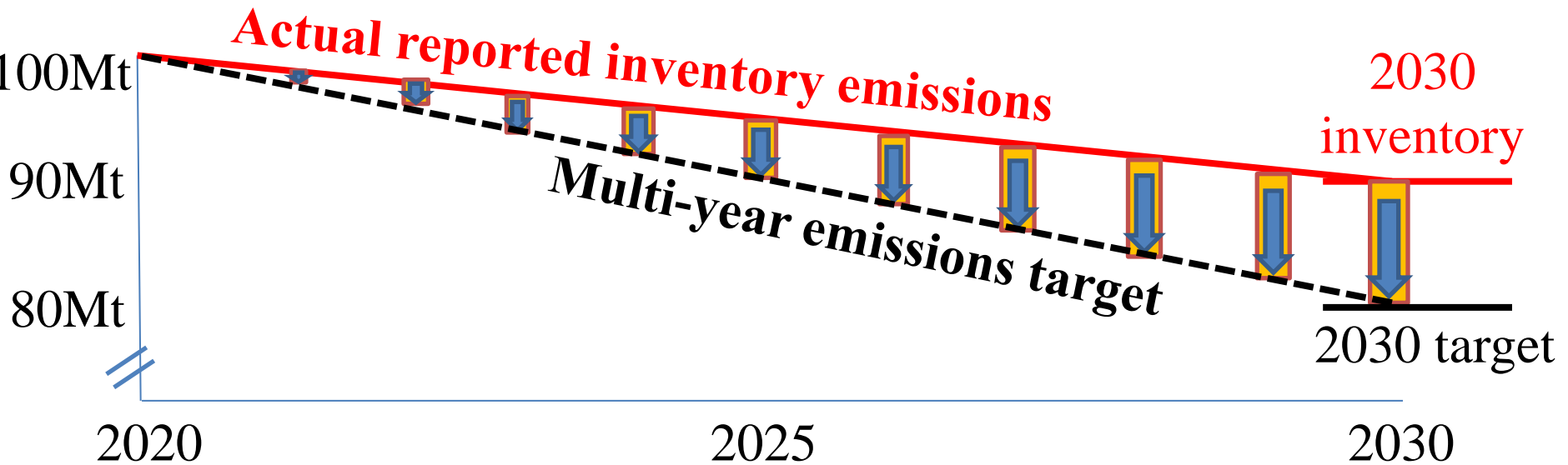
# Addressing “double-claiming”

- Diverse pledge types mean that some countries may have a quantified emissions goal but do not account for net unit flows when reporting progress
- If net export of units is not accounted for, but is purchased and “used” by another country, there is overlap of country pledges
- Overlap = reduced mitigation effort globally
- If “double-claiming” can’t be eliminated, it needs to be transparent and understood



# Pledges defined as single-year or multiple-year targets

## Multiple Year Target 2020-30

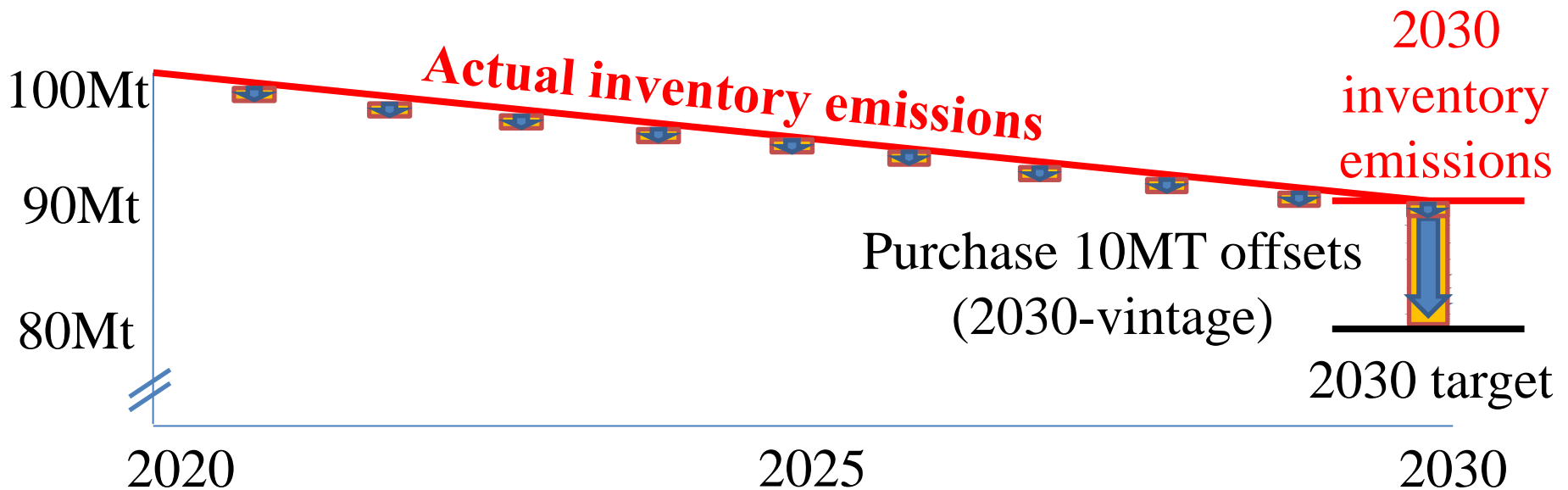


- Units purchased for each year of multi-year target
- Multi-year target also avoids risk that single target year emissions are an anomaly due to weather etc



# Impact of a single year target

## Single Year Target 2030



- If units only bought to cover 2030 emissions, overall abatement is less than for multi-year target
- Gets complex when we think about "vintages"...

# Options for tracking and reporting requirements

Overall objective

*Ex ante* clarity on impact of unit flows on global abatement

*Ex post* transparency on total abatement and national goals

## Option A

- Prohibit double claiming (could lead countries to redefine pledge numbers)
- No unit use toward single-year targets
- Central tracking

## Option B

- Quantify double claiming (limits, or *ex-ante* estimates)
- Quantify unit use toward single-year targets
- Opt-in to central tracking

## Option C

- Ex-post reporting of unit flows
- No central tracking

# What might this mean for design of domestic market mechanisms?

- The accounting framework agreed under UNFCCC might influence design of domestic market mechanisms – and vice-versa
- “Framework for various approaches” may influence design and operation processes, including standards used
- But UNFCCC accounting requirements could also influence tracking aspects: registry specifications, serial numbers, tracking logs

# Three questions for discussion

**1**

How can we **avoid or minimise “double claiming”** of market between countries?

**2**

What are the implications of **single-year versus multiple-year targets** for the use of market mechanisms?

**3**

How might **domestic mechanism designs be influenced** by potential UNFCCC accounting requirements for unit registries, serial numbers etc?

# Thank you



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