

# Environmental Integrity, Baselines, and Policy Uncertainty: Charting a Path Forward

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PMR Technical Workshop on  
Scaled-Up Crediting Approaches

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# Background

- PMR Technical Work Program on scaled-up crediting
  - Technical Note #1: Mobilizing demand
  - Technical Note #2: Baseline setting in the context of policy development
  - Technical Note #3: MRV approaches
- Technical Note #2 team:



# Overview

1. What is Environmental Integrity?

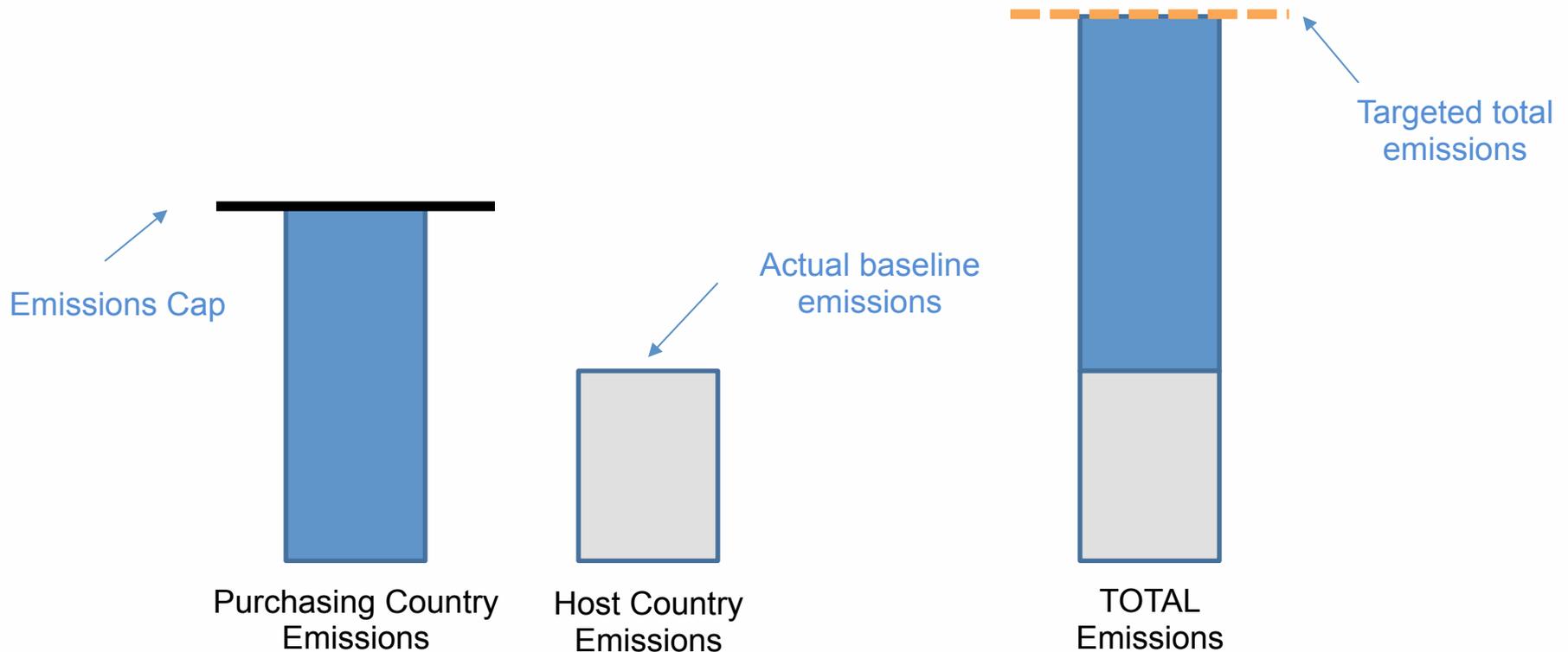
2. The Paris Agreement: What We Know and Don't Know

3. Interpreting the NDCs

4. Charting a Path Forward

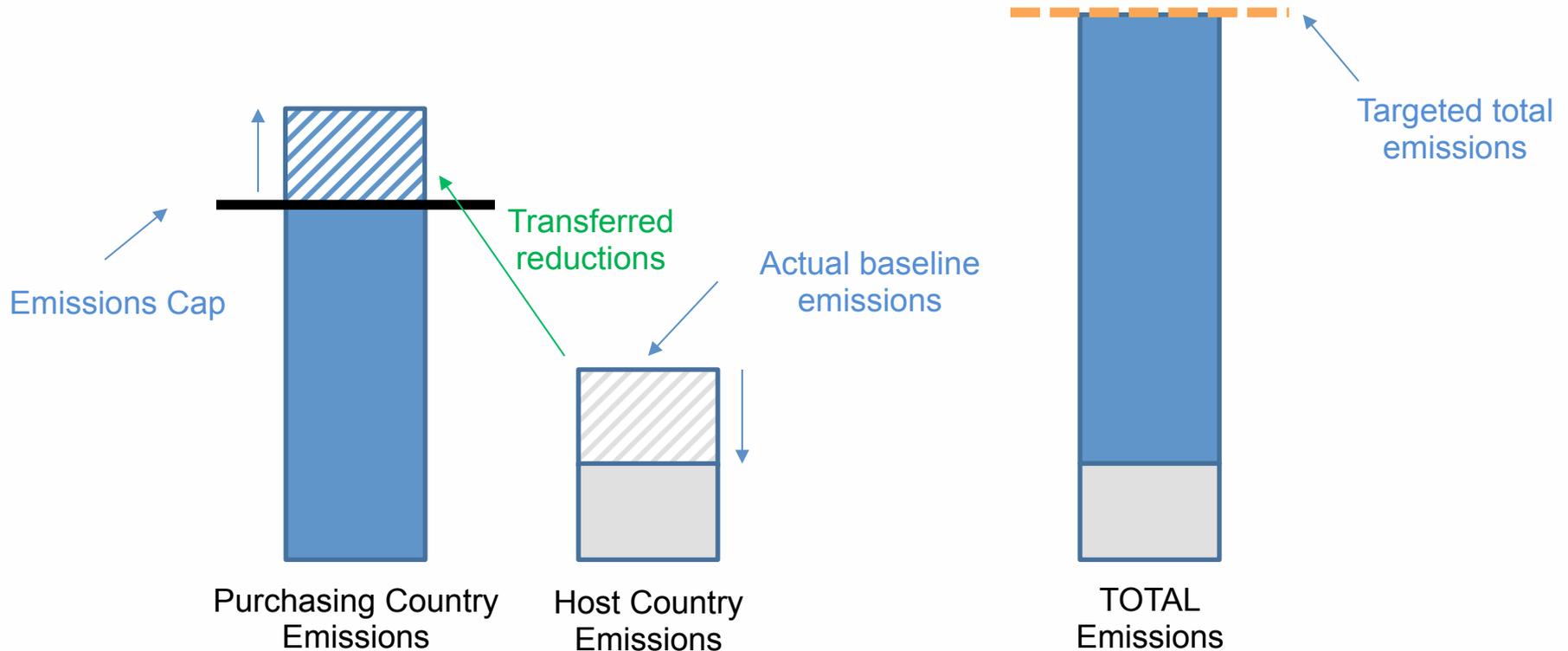
# 1. What is Environmental Integrity?

## No crediting mechanism



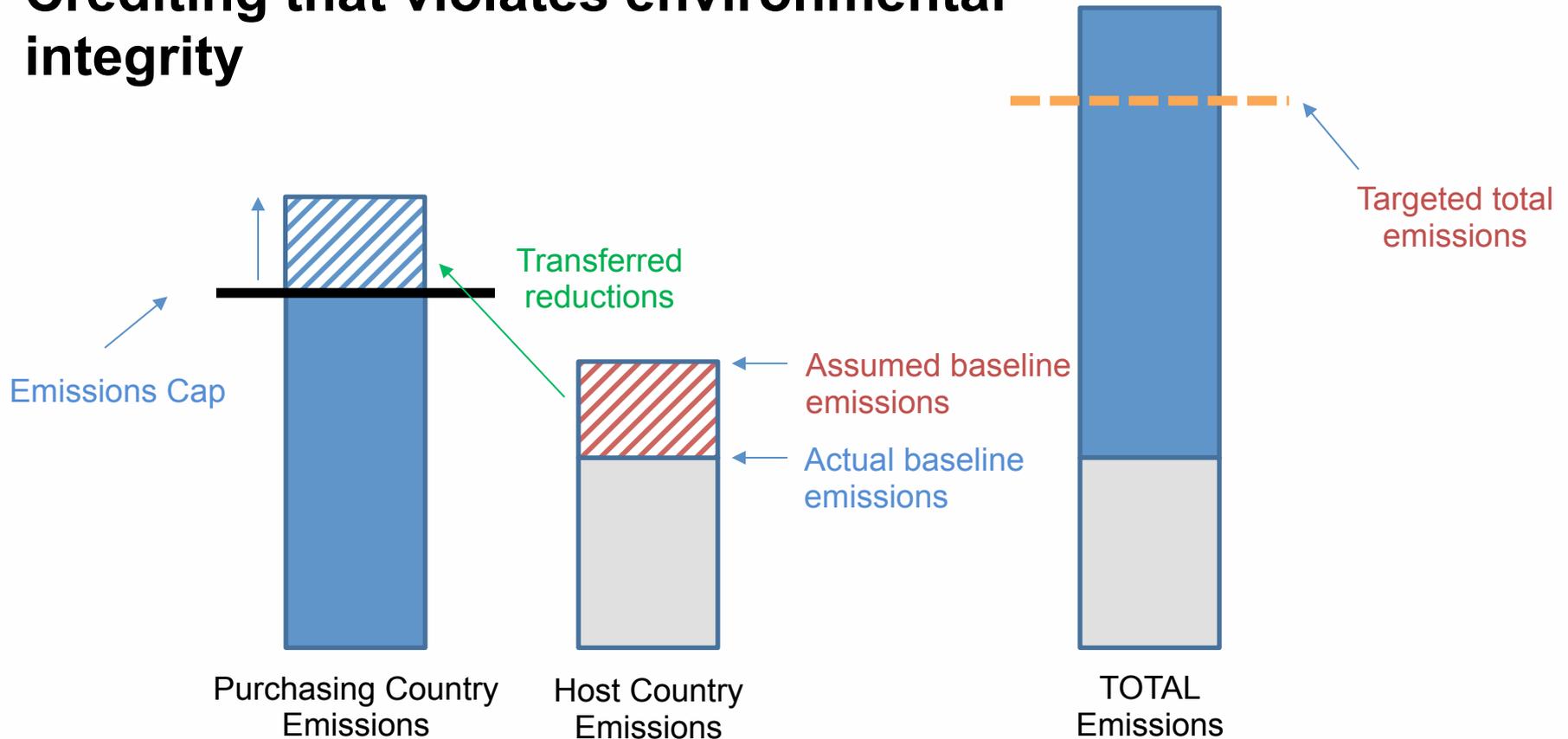
# 1. What is Environmental Integrity?

## Crediting with environmental integrity



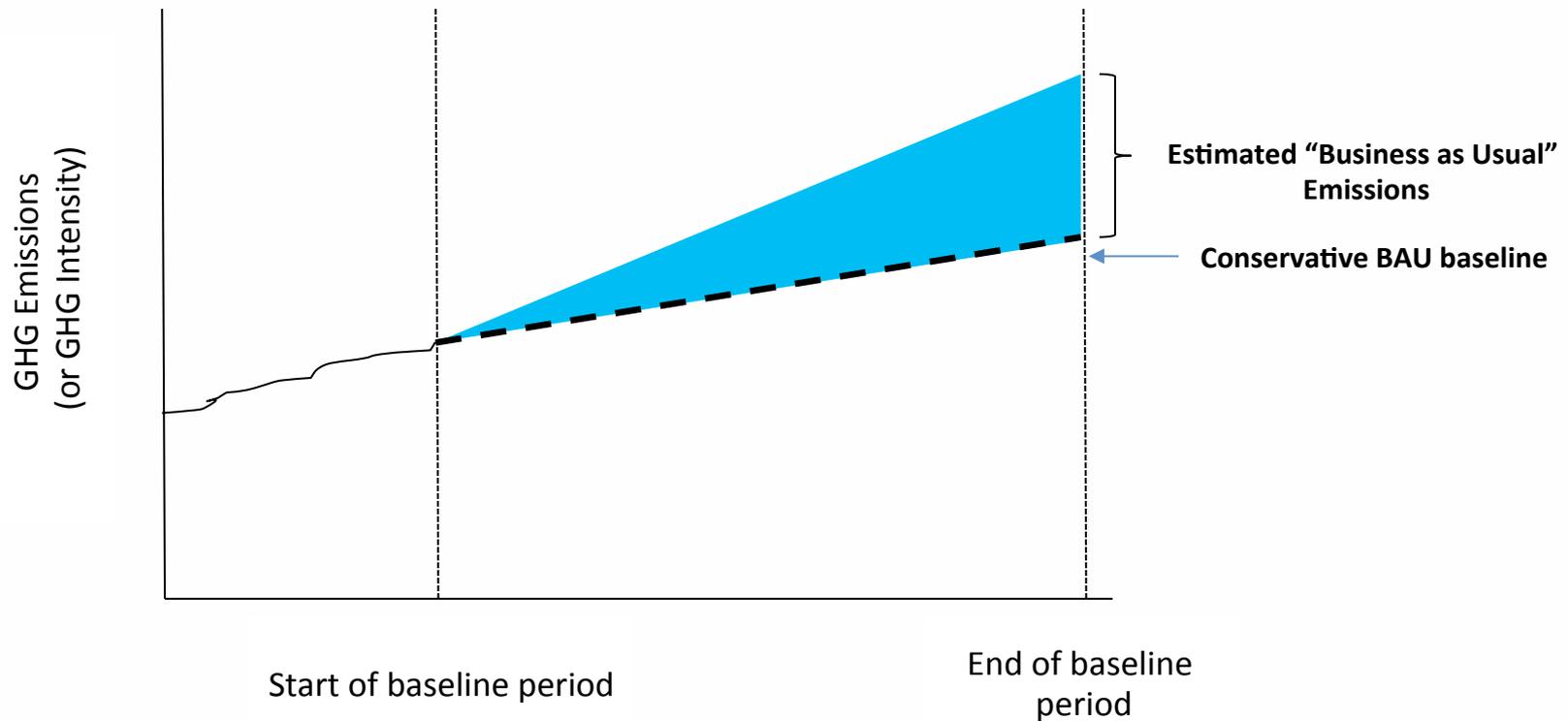
# 1. What is Environmental Integrity?

## Crediting that violates environmental integrity



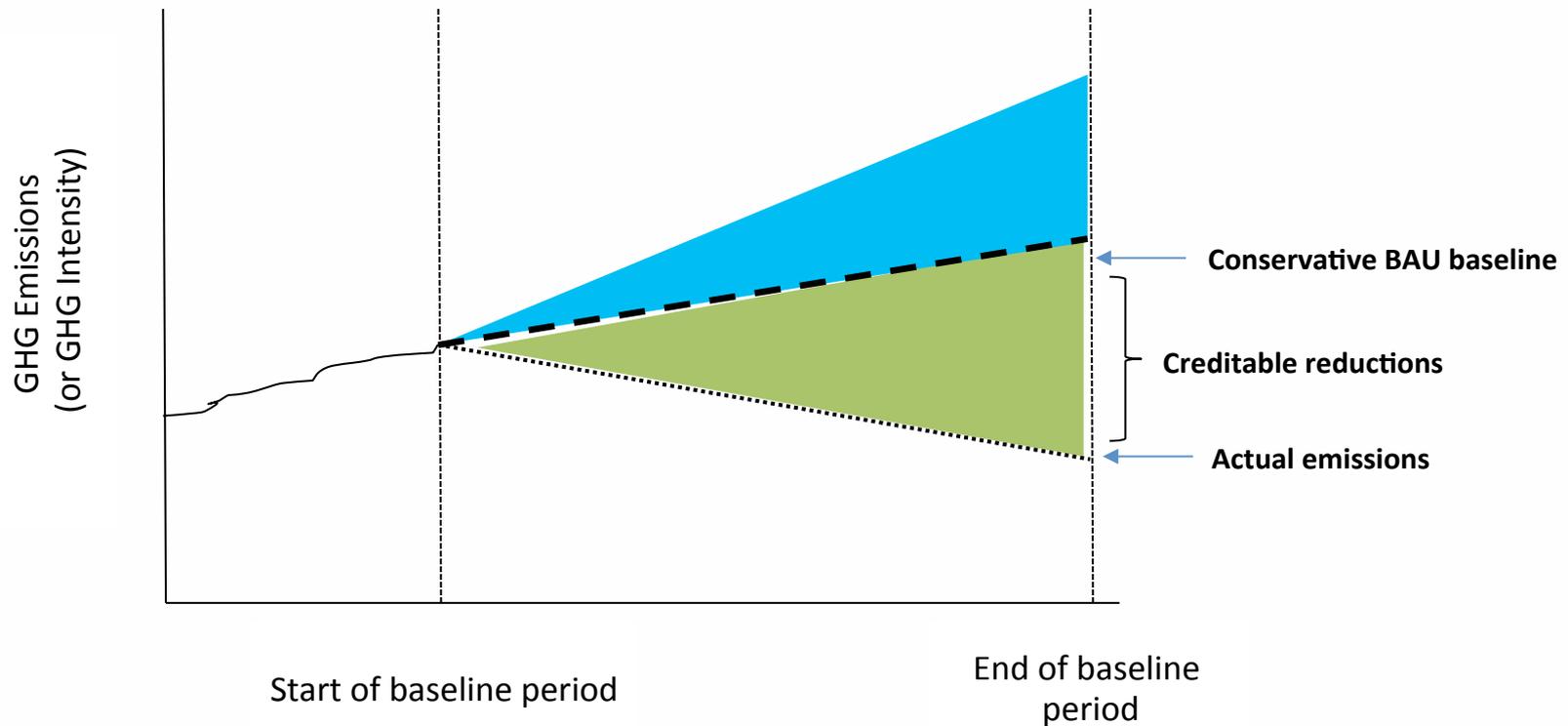
# 1. What is Environmental Integrity?

## Challenge 1: Baseline Uncertainty



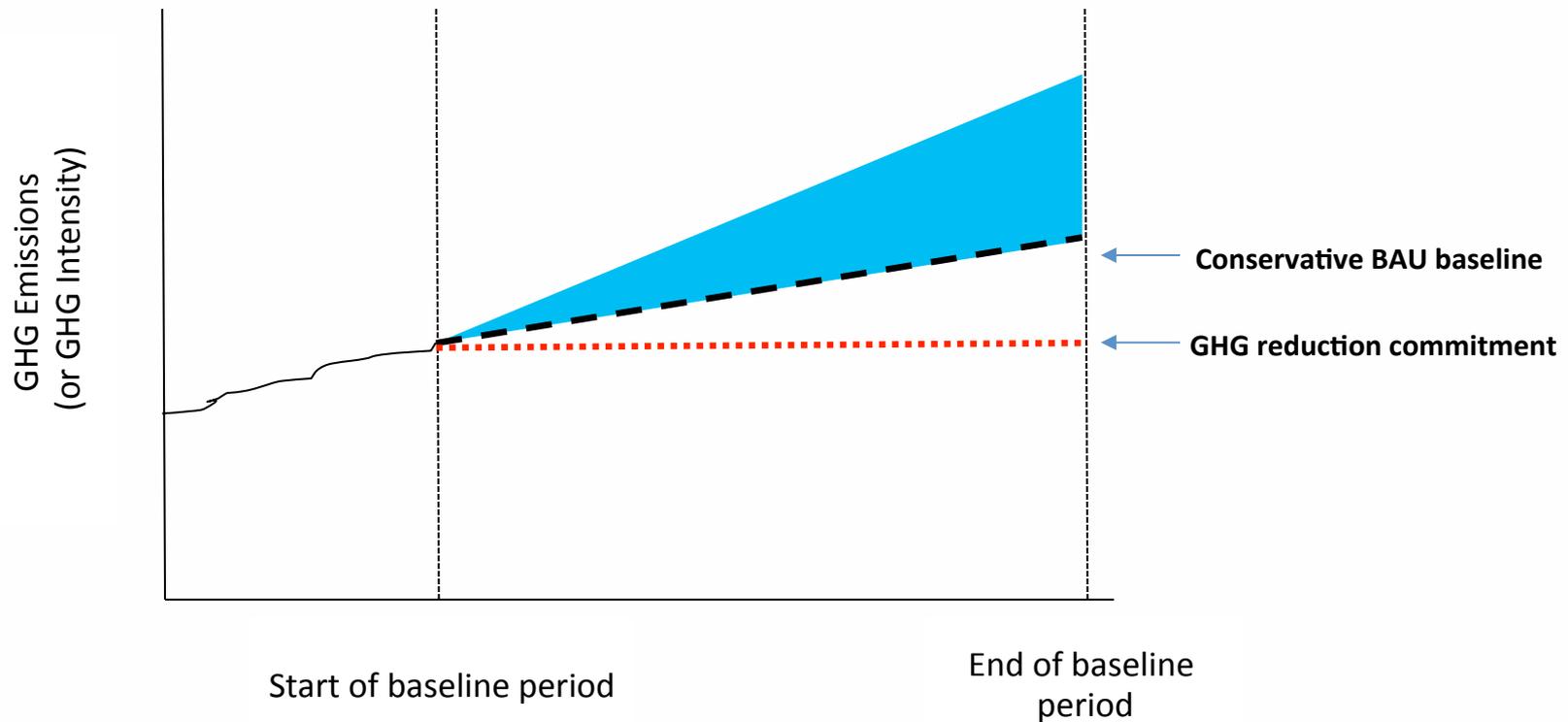
# 1. What is Environmental Integrity?

## Challenge 1: Baseline Uncertainty



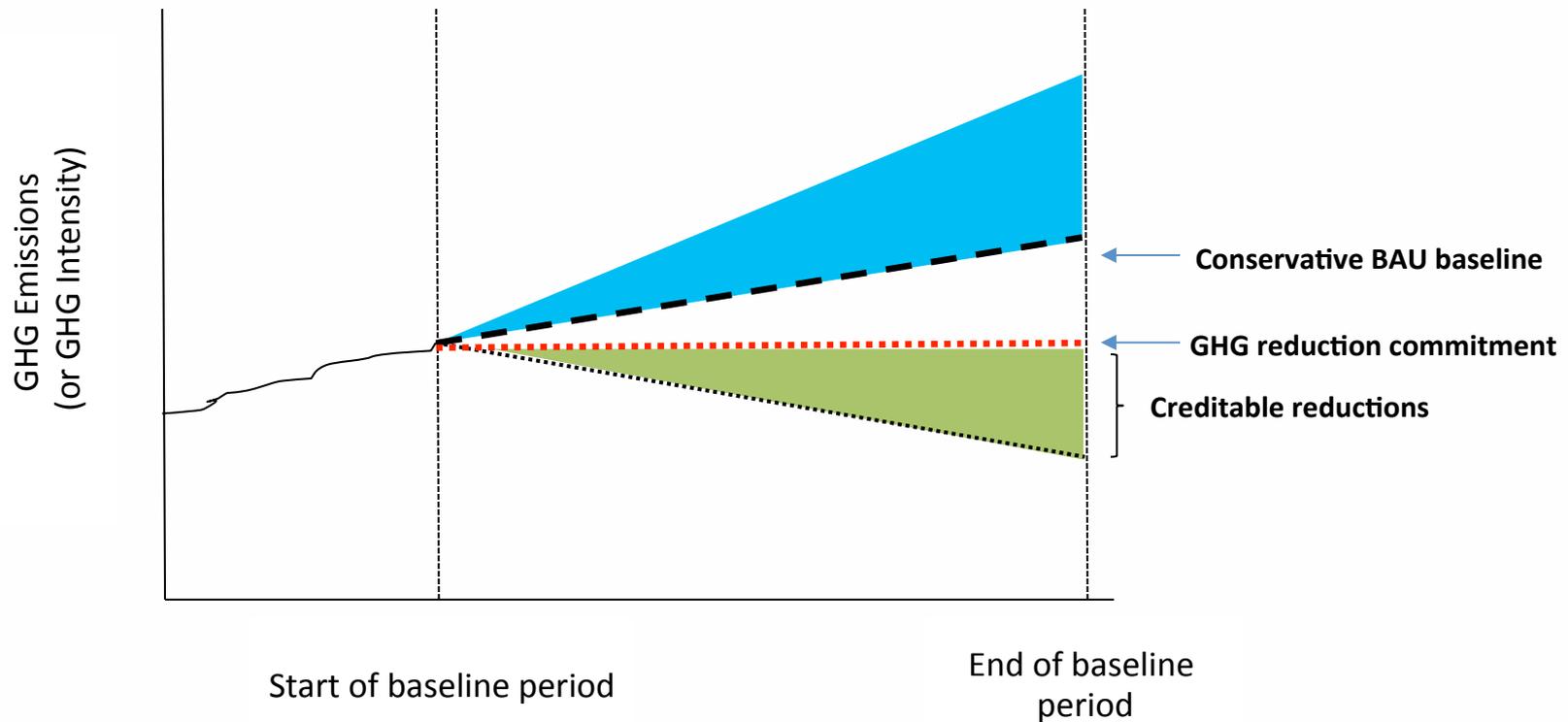
# 1. What is Environmental Integrity?

## Challenge 2: Avoiding Double Counting



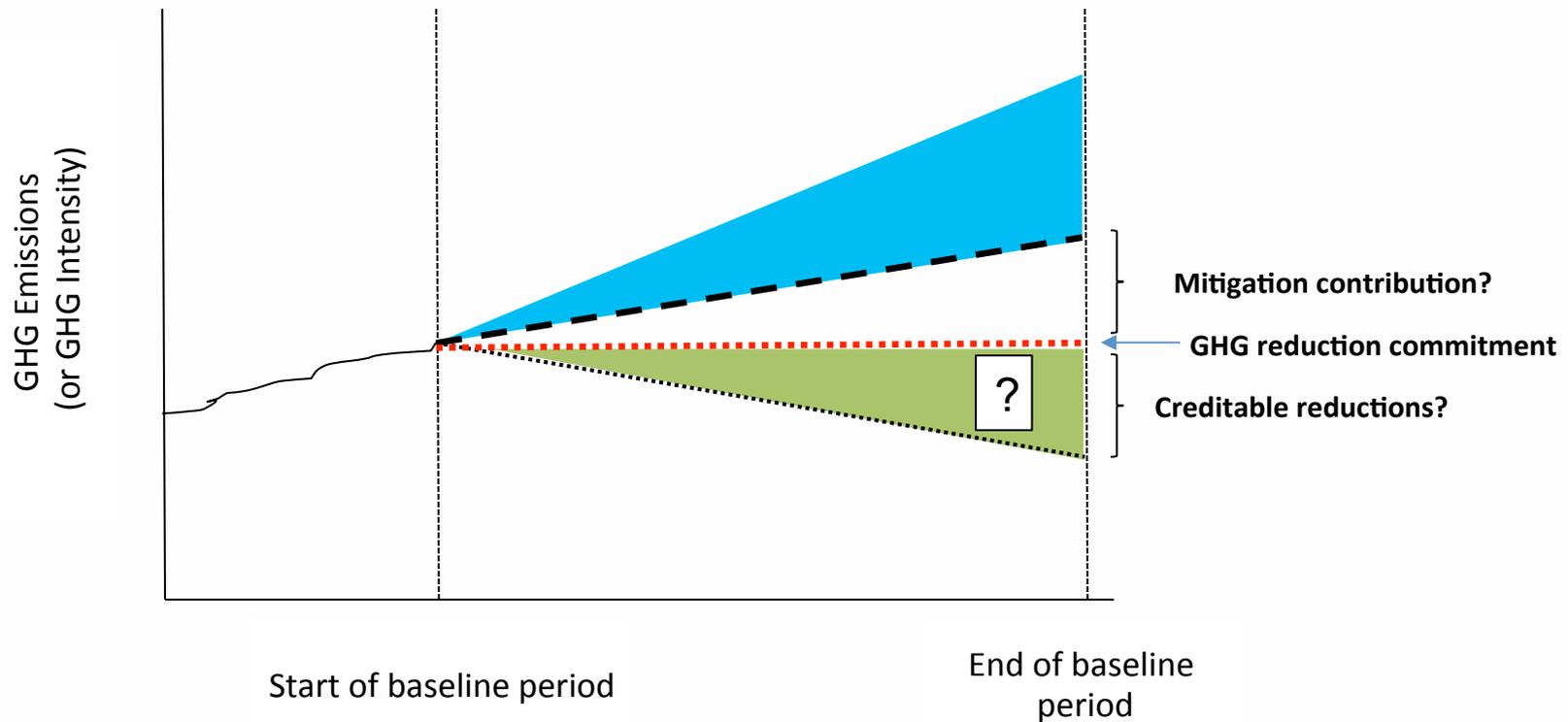
# 1. What is Environmental Integrity?

## Challenge 2: Avoiding Double Counting



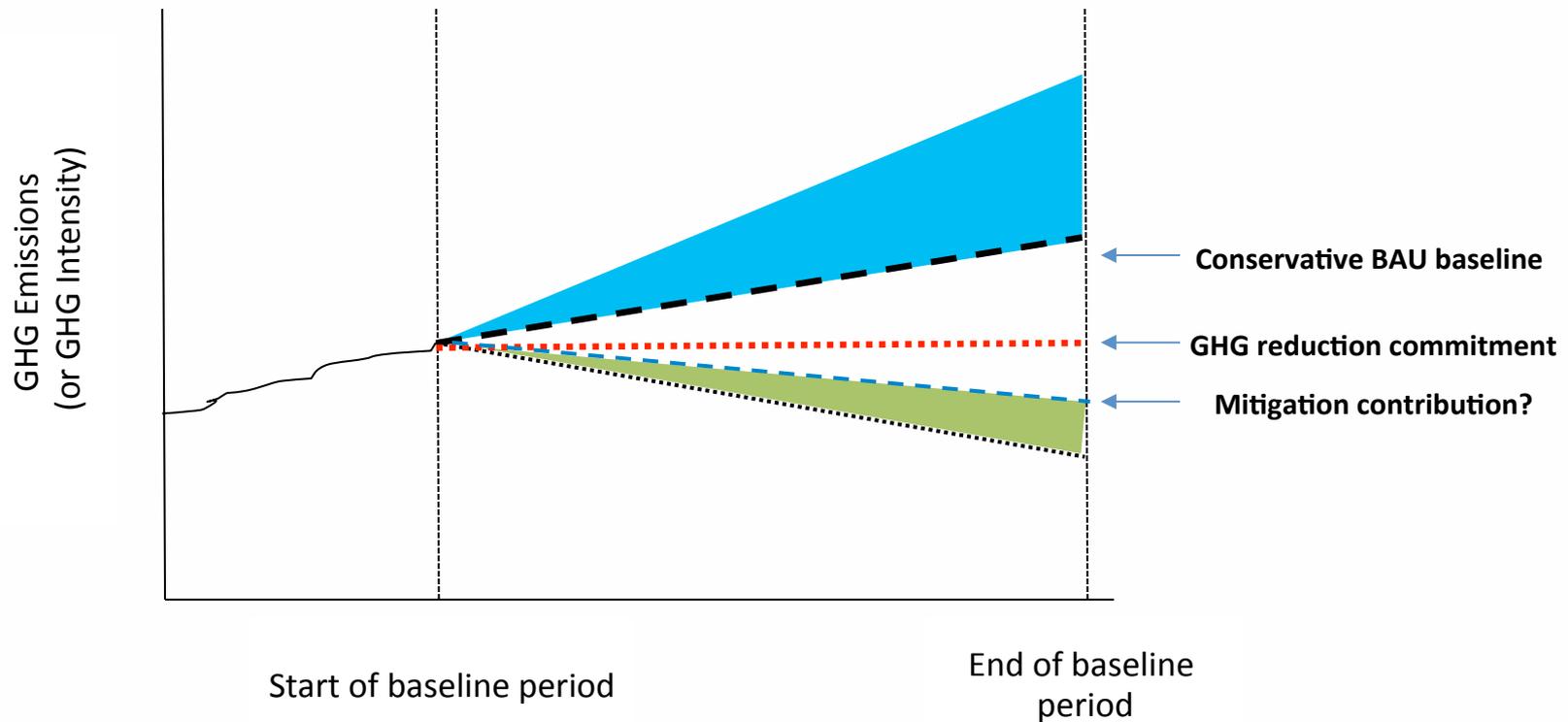
# 1. What is Environmental Integrity?

## Challenge 3: Overall Mitigation



# 1. What is Environmental Integrity?

## Challenge 3: Overall Mitigation



## 2. The Paris Agreement: What We Know and Don't Know

### What We Know

- Article 6 establishes three parallel regimes (applicable to all parties)
  1. Cooperative voluntary approaches (CVA)
  2. A “sustainable development” mechanism (SDM)
  3. Non-market approaches, including results-based carbon finance (RBCF)
- CVA and SDM may incorporate crediting mechanisms, and allow for scaled-up approaches
- CMA will adopt modalities and procedures for SDM
- But both mechanisms may have some common requirements
  - Promote sustainable development
  - Avoid double counting
- SDM must achieve “overall mitigation”

## 2. The Paris Agreement: What We Know and Don't Know

### What We Know

- Requirements to avoid double counting

**Article 6.5:** Emission reductions resulting from the [SDM] shall not be used to demonstrate achievement of the host Party's NDC if used by another Party to demonstrate achievement of its NDC.

- Appears to rule out making achievement of NDCs “conditional” on sales of reduction credits
- Decision paragraph 37 calls on SBSTA to develop guidance for avoiding double counting under CVA

## 2. The Paris Agreement: What We Know and Don't Know

### What We Don't Know

- What emissions trading or crediting mechanisms might be allowed or recognized under CVA and SDM?
  - ETS linkages?
  - Project-based crediting programs? Including CDM and JI?
  - Scaled-up crediting programs?
- If scaled-up approaches are allowed, what will be parameters and requirements around baseline development?
- What role will CMA have in deciding rules for CVA approaches?
- How aligned might CVA and SDM rules be, especially with respect to (scaled-up) baselines?

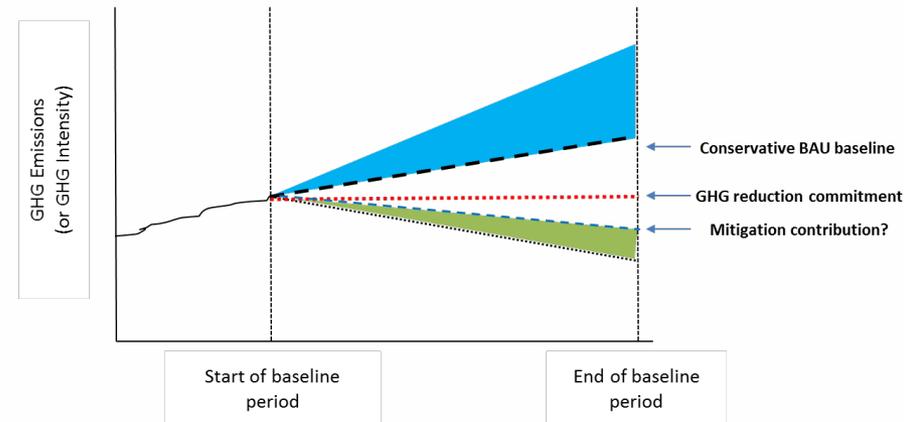
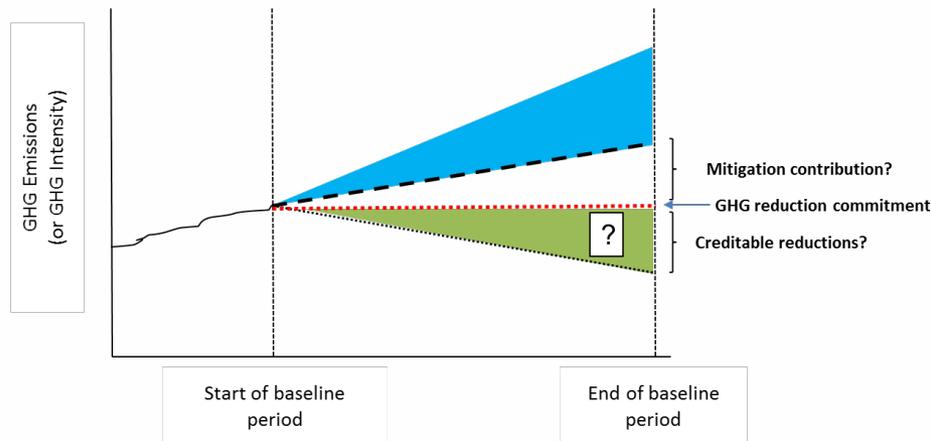
## 2. The Paris Agreement: What We Know and Don't Know

### What We Don't Know

- For the SDM, what will requirements be for “overall mitigation”?

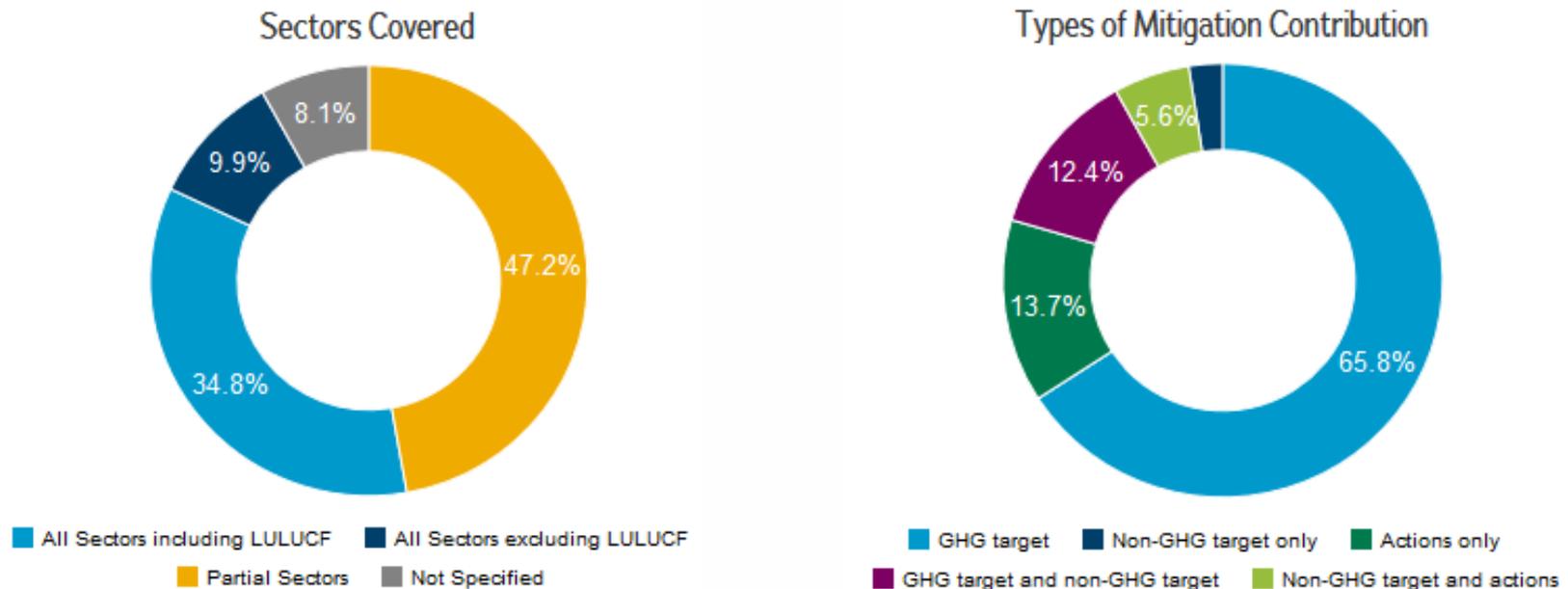
Can NDC pledge count...

...or not?



### 3. Interpreting the NDCs

Countries have adopted many different types and formulations of mitigation pledges



Source: WRI CAIT Climate Data Explorer

### 3. Interpreting the NDCs

## Classifying NDC pledges...

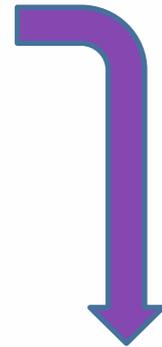
Actions vs. quantitative targets



Action-based vs. GHG metrics



Single- vs. multi-year targets



Absolute vs. intensity GHG targets

### 3. Interpreting the NDCs

Many pledges have yet to be translated into specific policy actions (e.g., aimed at particular sectors)...

#### Questions

- How to translate economy-wide, single-year, non-GHG, and/or GHG intensity pledges into a crediting baseline for a specific sector?
- What are minimum conditions for credible baselines that preserve environmental integrity?
- What will pass muster under CVA and SDM?

## 4. Charting a Path Forward

### 1. Clarify what makes a “good fit” between NDCs and baseline development for a sector, e.g.:

**“Good fit”**: Commitments and policies are sufficiently defined to support credible baseline development

**“Reasonable fit”**: Commitments may be reasonably translated into a baseline, even where specific policies and actions have not yet been elaborated

**“Poor fit”**: Commitments are insufficiently specified to establish defensible baselines for particular sectors; further goal or policy elaboration is required

## 4. Charting a Path Forward

2. Where there is a “poor fit,” identify processes and approaches for elaborating commitments and providing sufficient policy clarity
  - Building off existing tools and options for alternative scenario development (e.g., *PMR Checklist on Establishing Post-2020 Emission Pathways*)
  - Identifying options appropriate to nature & specification of NDC (e.g., single-vs. multi-year, GHG vs. non-GHG, etc.)

## 4. Charting a Path Forward

3. Where there is a “good fit,” clarify appropriate methods for developing scaled-up crediting baselines, covering:
  - How to accommodate Paris Agreement rules related to double counting, overall mitigation, MRV, and sustainable development
  - Appropriate methods depending on whether crediting mechanism:
    - Falls inside or outside of NDC commitments
    - Falls under CVA or SDM architecture

## 4. Charting a Path Forward

4. Outline how baseline development can be coordinated to ensure consistency and meet domestic and international expectations
  - Embed institutional responsibility for baseline development in agencies responsible for overall mitigation goals, systems, and policies
  - Use baseline development to help inform deliberations about the role of crediting mechanisms in national mitigation goals
  - Identify “no regrets” first steps in light of domestic & international uncertainties

# Next Steps

Ongoing	Identify examples / case studies
June	Drafting of technical note, circulation to PMR Secretariat and Crediting & Offsetting Working Group
July	Next draft, circulation to PMR Secretariat and Partnership Assembly
August	Final draft & presentation