Designing crediting and RBCF programs in the context of NDCs: Issues and Options

Randall Spalding-Fecher

With Derik Broekhoff, Noemie Klein, Jurg Fussler, Lambert Schneider

22 May 2017
What do we mean by scaled up crediting?

- Credits achieved across a large number of GHG sources e.g. sector
- Often needs government co-ordination –to implement policy, sector or integrated programs
- Baselines are established collectively for pre-defined group of GHG sources
- Credits are issued or recognised based on aggregate reductions across all GHG sources
- Actions that reduce GHG can be diverse and by multiple actors

Courtesy of Felicity Spors
Scaled-up crediting vs results based climate finance

- Both approaches may use similar methodologies, baseline-setting tools, and MRV approaches
- RBCF may use units issued under an international crediting standard as the “receipt” for the payments made
- But RBCF does not result in any transfers of units, and therefore no “corresponding adjustments” of inventories
  - “Carbon Finance” = Offset Payments
  - “Climate Finance” = Non-offset mitigation finance
Two key issues for crediting and results-based climate finance design

• Conditionality and crediting

• Diversity of NDC goals and crediting
Conditionality and NDC pledges: lack of definition

• Many Parties distinguish between “conditional” and “unconditional” components of their NDC pledges
  • Unconditional = countries commit to achieve voluntarily without additional external support
  • Conditional = premised on the availability of international support in terms of finance, technology and/or capacity building
• No formal definition, however, for conditional and unconditional NDC elements and how progress is evaluated
  • Will a country’s progress towards a conditional goal be evaluated the same as for an unconditional goal?
  • Will progress affect the country’s access to collaborative engagement (e.g. financing, crediting, etc.)?
  • What if countries reach their unconditional goals but not their conditional ones? Do they still receive the benefits of meetings their NDC targets?
Most countries have some conditional elements

Source: WRI CAIT Climate Data Explorer
Conditionality and crediting – what do corresponding adjustments mean?

- Can NDC mitigation pledges be “conditional” upon receiving carbon offset payments for Article 6 transfers (as opposed to conditional upon receiving climate finance, technology transfer and capacity building)?
- Any Article 6 transfers would result in a “corresponding adjustment” – adding back the emission reductions to the transferring country’s inventory.
- This would not be the case for RBCF (assuming that this finance does not utilize an international standard where issuance of units automatically triggers adjustments).
How can Article 6 transfers assist the transferring country in reducing their emissions to reach a conditional NDC pledge, if the transfers result in increases in the transferring country’s inventory?
Conditionality and crediting – what about baselines?

- Could unconditional NDC goals set baselines for crediting?
  - If countries specify unconditional pledges, then they presumably intend to meet these even without any additional support (including crediting and RBCF)
  - These emission levels are therefore the country’s “best estimate” of emissions before any benefits from a crediting program (or RBCF?) are received
  - Typical definition of a baseline is the level of emissions that would occur without any of the benefits from a crediting program
- What about conditional NDC goals?
  - Will (transferring) countries be able to ignore corresponding adjustments for the purposes of demonstrating achievement of conditional NDCs?
  - If not, could conditional pledges be relevant for crediting baselines as well?
- Host country needs to assess their risk in light of the lack of guidance from CMA
- These issues do not come up with RBCF (even for supporting unconditional pledges)
Understanding the diversity of NDC commitments

Actions vs. quantitative targets

Action-based vs. GHG metrics

Single- vs. multi-year targets

Fixed vs relative to BAU GHG

GHG emissions vs. GHG intensity
Diversity of pledge types...

Source: WRI CAIT Climate Data Explorer
...even for GHG targets...

And almost all are single year targets

Source: WRI CAIT Climate Data Explorer
..and not all sectors are covered
Diversity of pledges and crediting

• The units of ITMOs are not specified in Article 6.2, nor the units for Article 6.4
• Difficult to imagine how to transfer units representing non-GHG actions, emission intensity improvements, or even actions relative to an unspecified BAU
• How can diverse pledges be translated into units (e.g. tCO2e) that are amenable to transfer among all countries and making “corresponding adjustments” to inventories?
• Crediting (and perhaps RBCF) may effectively require translating NDC goals into discrete emissions pathways, in order to support robust accounting of international transfers and avoid double counting
One idea for translating GHG pledges into baselines for crediting

...more to come in session 7
Questions for discussion

• For those countries with conditional GHG targets, is crediting one of those conditions? If so, how to address the question of corresponding adjustments?
• How can countries without absolute GHG targets trade units with each other, or rather, what type of units would they trade?
  • Can the variety of NDC pledge types be translated into GHG targets for the purposes of crediting, transferring units, and assessing progress?
  • If so, who decides how this is done?