

# 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

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## 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

## Scaled-up crediting vs results based climate finance

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- 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

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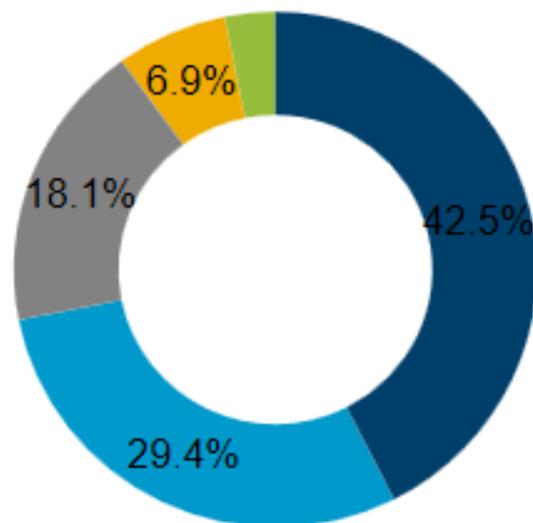
- Conditionality and crediting
- Diversity of NDC goals and crediting

## Conditionality and NDC pledges: lack of definition

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- 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 meeting their NDC targets?

## Most countries have some conditional elements



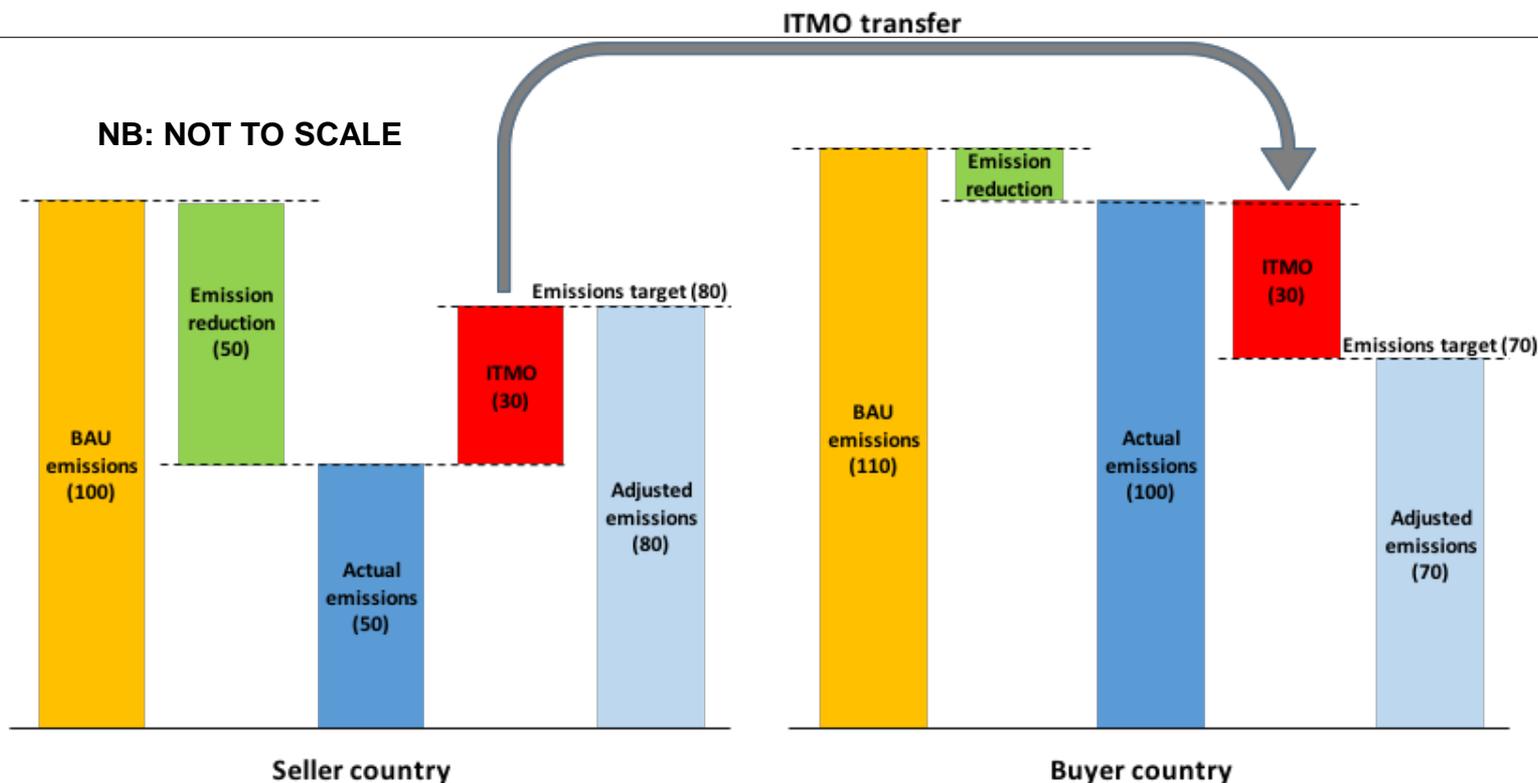
Source: WRI CAIT Climate Data Explorer

## Conditionality and crediting – what do corresponding adjustments mean?

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- 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)

## Illustration of “corresponding adjustment”



Source: Schneider et al. (2016)

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?

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- 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

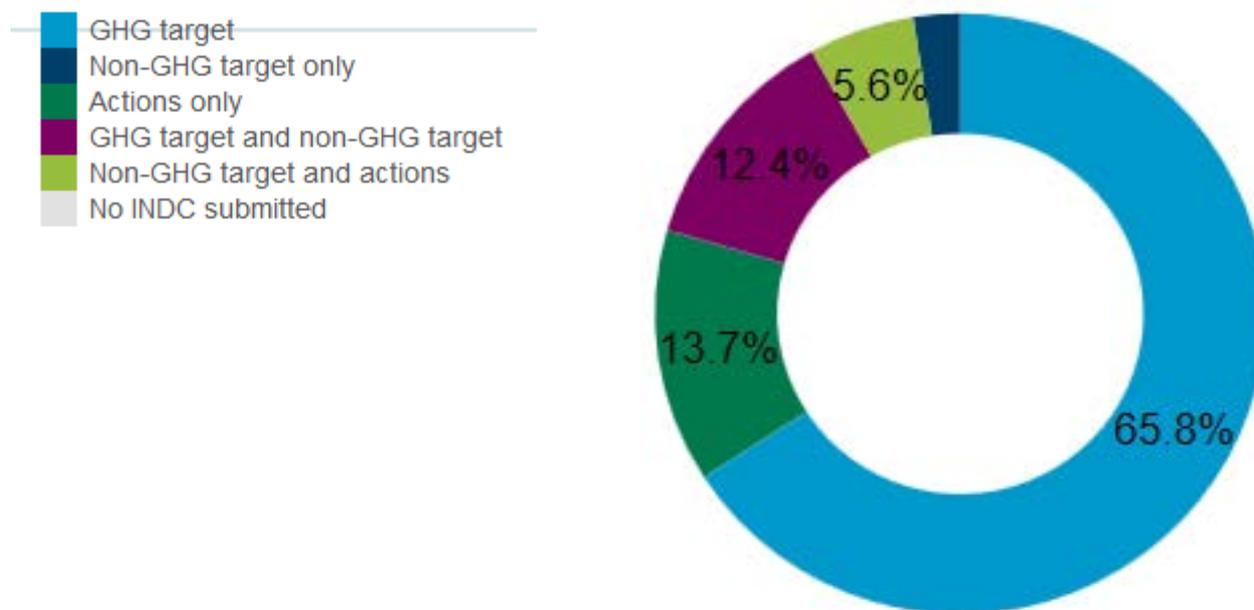
Action-based vs. GHG metrics

Single- vs. multi-year targets

Fixed vs relative to BAU GHG

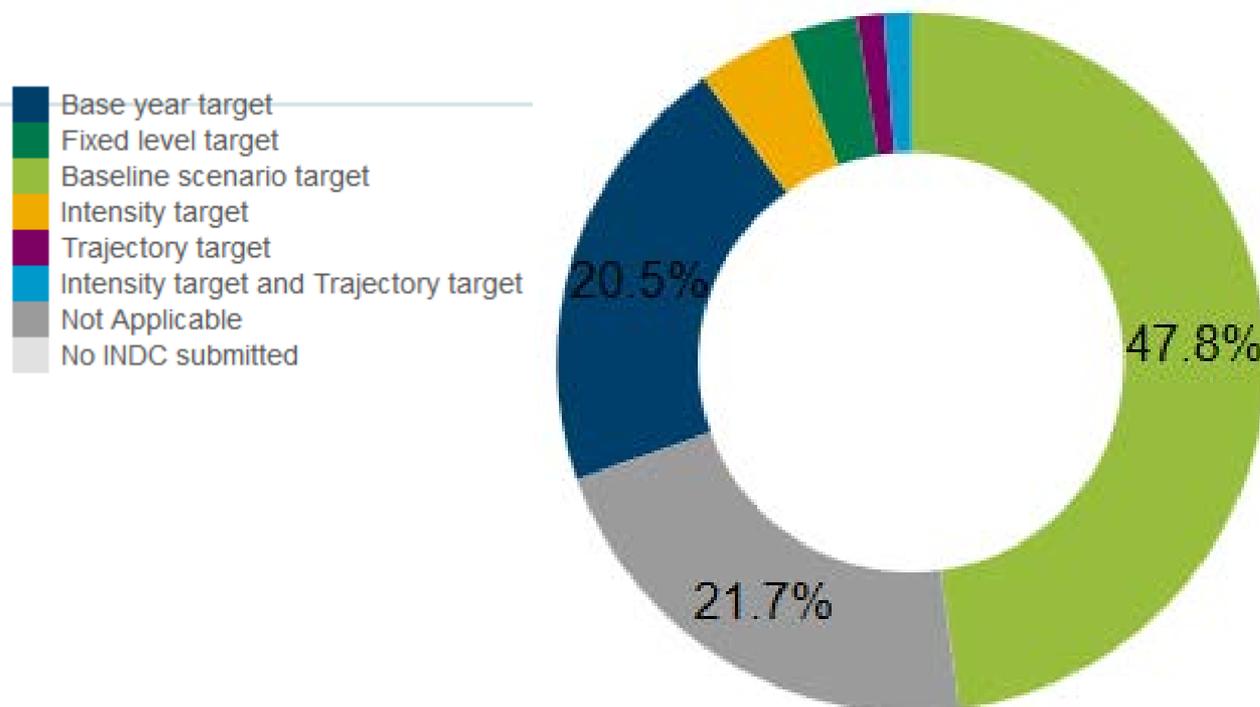
GHG emissions vs. GHG intensity

## Diversity of pledge types...



Source: WRI CAIT Climate Data Explorer

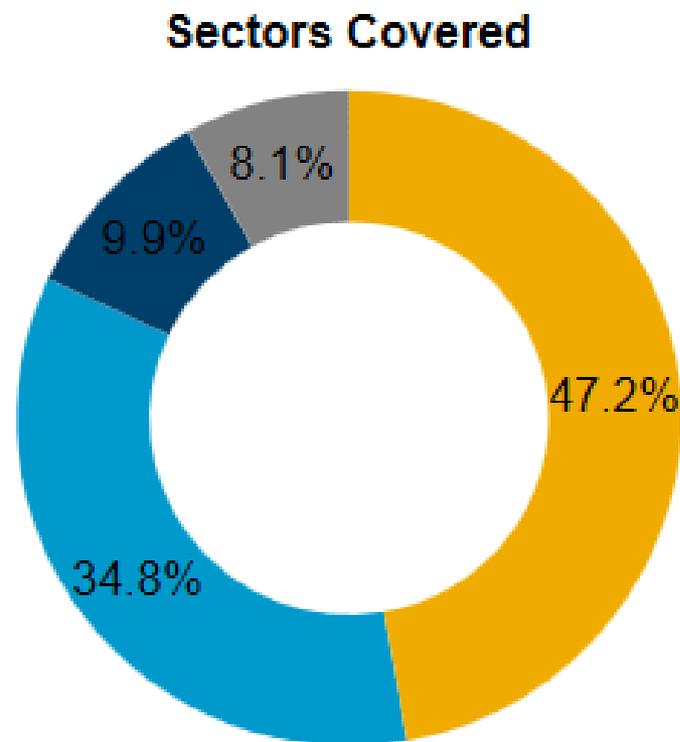
## ...even for GHG targets...



And almost all are single year targets

Source: WRI CAIT Climate Data Explorer

## ..and not all sectors are covered

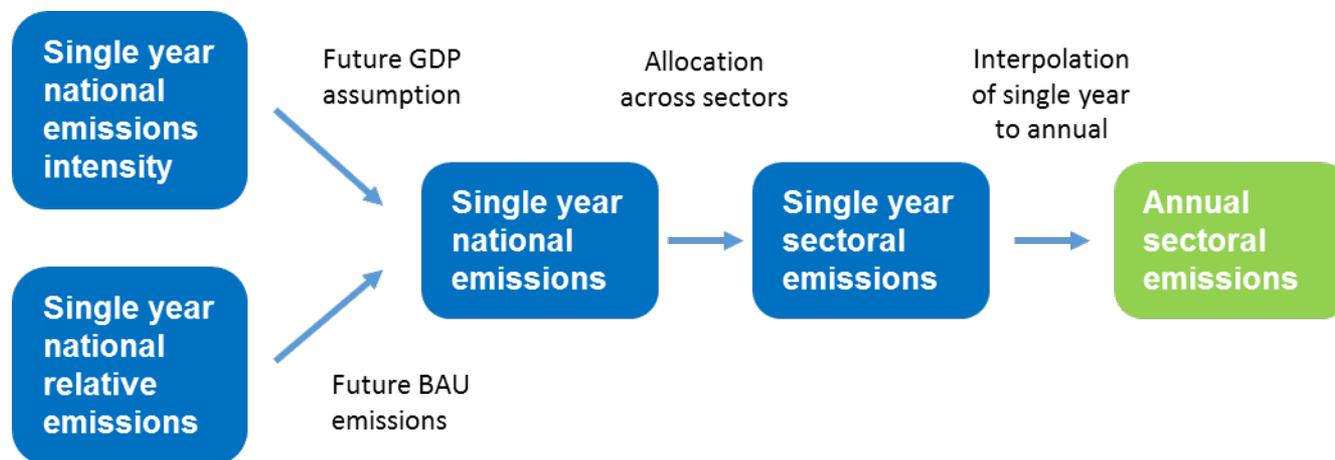


## Diversity of pledges and crediting

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- 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. tCO<sub>2</sub>e) 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

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- 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?