Keeping track: Options To Develop International Greenhouse Gas Unit Accounting After 2012

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UNFCCC Side event, Bonn 14/06/2011
Outline

- A range of scenarios for unit accounting after 2012 (tradable units not emissions accounting)
- Kyoto Protocol versus ‘pledge and review’
- Elements of a ‘middle ground’ scenario
- Regulation and tracking of units in the middle ground
Kyoto-style allowances versus pledge and review

**Common allowance model**
- Compliance: tried and tested international system
- Nesting domestic trading schemes
- Tracking: facilitates traceability through continuation of UN log
- Suited to expansion of UN centrally-regulated market mechanisms

**Pledge and review model**
- Country flexibility defining pledges and goals
- May avoid differentiation of Annex I countries
- Easier for developing countries to increase commitment over time
- Suited to independent bilateral or other country-led market mechanisms
Increasing fragmentation of accounting framework

**Top down**
- Kyoto Protocol 2nd CP (all Annex I)
- Kyoto Protocol 2nd CP (some Annex I)

**Middle ground**

**Bottom up**
- ‘Pledge and review’
- Fully fragmented country action
### Building blocks of post-2012 accounting framework

<table>
<thead>
<tr>
<th>Top down</th>
<th>Bottom up</th>
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<tbody>
<tr>
<td>Kyoto Protocol 2(^{nd}) CP (all Annex I)</td>
<td>‘Pledge-and-review’</td>
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<tr>
<td>Kyoto Protocol 2(^{nd}) CP (some Annex I)</td>
<td>Fully fragmented</td>
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<tr>
<td>Levels of internationally agreed emissions accounting rules for defining pledges</td>
<td>National accounting rules</td>
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<tr>
<td>Assigned Amount Units (AAU) or similar</td>
<td>No single international allowance unit</td>
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<tr>
<td>Transaction approval and tracking</td>
<td>Non-UN tracking system</td>
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<tr>
<td>Central regulation and issuance</td>
<td>No UN supervision of new mechanisms</td>
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<td>None</td>
<td>Some common rules</td>
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<td>Common rules and minimum standards for offset quality</td>
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<td>Continuation of CDM and JI in some sectors and countries</td>
<td>Continuation of CDM in some sectors and countries</td>
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- **GHG accounting rules**
  - Kyoto Protocol 2\(^{nd}\) CP (all Annex I)
  - Kyoto Protocol 2\(^{nd}\) CP (some Annex I)
  - Middle ground
  - ‘Pledge-and-review’
  - Fully fragmented

- **International allowance unit for Annex I**
  - Assigned Amount Units (AAU) or similar
  - No single international allowance unit

- **Role of International Transaction Log**
  - Transaction approval and tracking
  - Tracking only
  - Standard setting only
  - No UN supervision of new mechanisms

- **Role of UNFCCC Sec in new market mechanisms**
  - Central regulation and issuance
  - No UN supervision of new mechanisms
  - No UN supervision of new mechanisms

- **Bilateral or other non-UNFCCC offsets**
  - None
  - Common rules and minimum standards for offset quality
  - Some common rules
  - No common standard

- **CDM/JI**
  - Continuation of CDM and JI in some sectors and countries
  - Continuation of CDM in some sectors and countries
Three country pledge groups: bilateral mech using ITL and UN principles

Annex I Parties: Economy wide absolute emissions reduction or limitation commitment

GROUP A Non-Annex I Parties: Quantified mitigation goals

GROUP B Non-Annex I: Voluntary actions, no overall quantified mitigation goal

Roles of UNFCCC
- Reception of National Comms
- Reception of Inventory reports
- Standard setting for bilateral mechs
- CDM issuance and registry
- NAMA registry

INTERNATIONAL TRANSACTION LOG
- Domestic Registry
- Country-led offset following UN principles
- Bilateral units
- National Registry
- Transfer of emissions reduction without registry or units

Sectors outside national pledge

Independent bilateral offset agreement
Three country pledge groups: example of possible unit movements

Annex I Parties: Economy wide absolute emissions reduction or limitation commitment

GROUP A Non-Annex I Parties: Quantified mitigation goals

Roles of UNFCCC

INTERNATIONAL TRANSACTION LOG

Reception of National Comms
Reception of Inventory reports
Standard setting for bilateral mechs
CDM issuance and registry
NAMA registry
UN offset project (CDM)
Verified REDD project
Country-led offset following UN principles
Verified REDD project (CDM)
UN offset project
Domestic Registry
Domestic Registry
Independent Registry (eg VCS)
Independent bilateral offset agreement
Sub-national ETS Registry
Sub-national ETS Registry
National Registry
National Registry

Transfer of emissions reduction without registry or units

GROUP B Non-Annex I: Voluntary actions, no overall quantified mitigation goal
Middle ground: international role in market mechanisms

- UN provides guidelines or minimum standards for adoption by bilateral mech's
- UN as regulator of CDM and potential new UN mechanisms

- Some bilateral unit types recognised according to common shared principles
- Recognised units tracked by ITL (without pre-approval function)

- Minimal central UN oversight of offset mechanisms
- Countries bilaterally recognise standards, quality and MRV assurance

Decreasing centralisation of offset governance

JI: some countries voluntarily follow prescribed procedures that are pre-existing (using JI ‘track 2’ documents)
Tracking of unit transactions

- Importance of tracking for international transactions
- Could ITL operate outside of Kyoto with variation of unit types and no approval function?
- Financial markets have some methods for facilitating data tracking:
  - EU MiFID Directive stipulates data openness
  - SWIFT financial data standardisation (but not tracking)
- Voluntary carbon market has no central tracking but network of linked registries
Challenges for GHG unit accounting

- Providing international platform for tradable units whilst maintaining country flexibility
- Potential **double counting** of offset reductions:
  - Credit counts for host and buyer country pledge
  - One action credited by two schemes
- Role of **domestic / sub-national schemes** in international accounting
- Ongoing work to explore detailed options for meeting country realities whilst ensuring integrity of unit systems
Thank you

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