



Targets, Years, Claims, and Units

Michael Lazarus, Stockholm Environment Institute – US Centre
michael.lazarus@sei-international.org

Breakout Group 5b: Emissions accounting for post-2020
commitments

CCXG Global Forum, Paris, September 19, 2013

3 questions about targets and units

1. **YEARS:** What are the implications of different types of commitments for the transfer of units e.g. with national commitments defined as single-year targets as opposed to multiple-year targets?
2. **CLAIMS:** What do we need to know about post-2020 commitments to avoid or minimise “double claiming” of market units [*and emission reductions*] as counting towards the pledge of more than one country?
3. **UNITS:** What do we need to know about domestic [*and bilateral*] market mechanisms if their units may be counted towards national commitments under UNFCCC?

Objectives for targets & unit use

- Adequacy / ambition
- Integrity of transferred units
- Comparability of effort
- Integrity of accounting (e.g. avoiding double counting)
- Efficiency/fungibility of market units

Dimensions of targets and their implications for transfer of emission units

Relevant for predictability and comparability of targets, but less so for unit transfers:

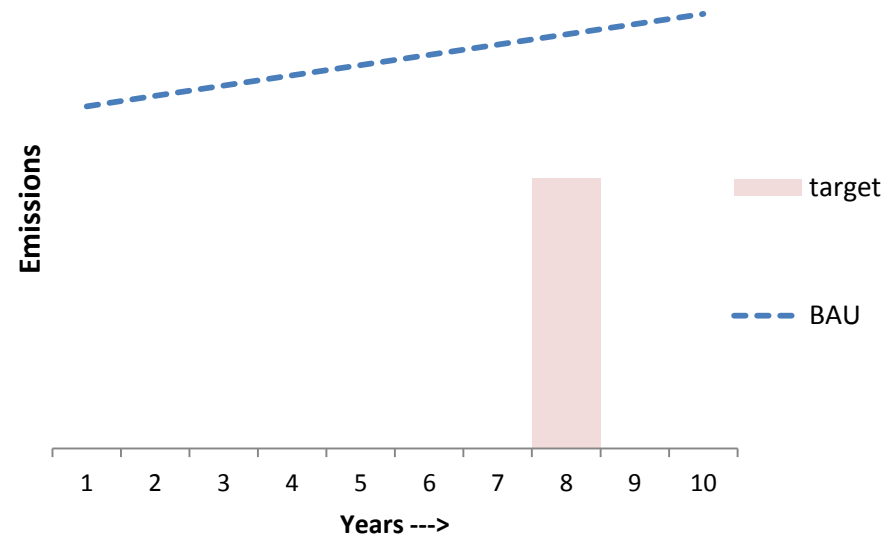
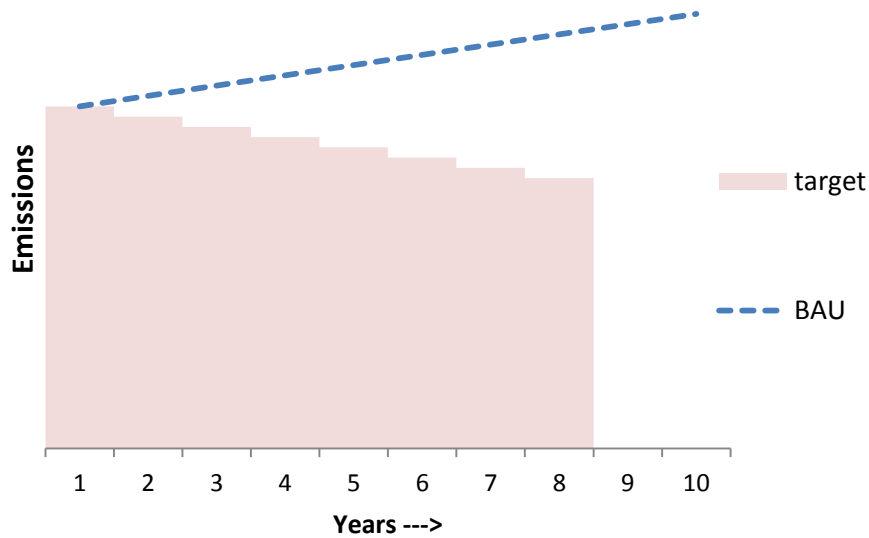
- **Reference point:** Measured (historical year) or modeled (BAU)
- **Indexing:** Intensity-based, per capita, etc. vs. absolute emissions

More relevant for unit transfers:

- **Use of transferable units:** Eligible units, usage limits
- **Coverage:** Emissions sectors, sources and gases included
- **Time frame:** Single-year vs. multi-year targets

Single-year targets are largely uncharted territory for emission trading and unit transfers, raising complex issues related to unit vintage and target comparability

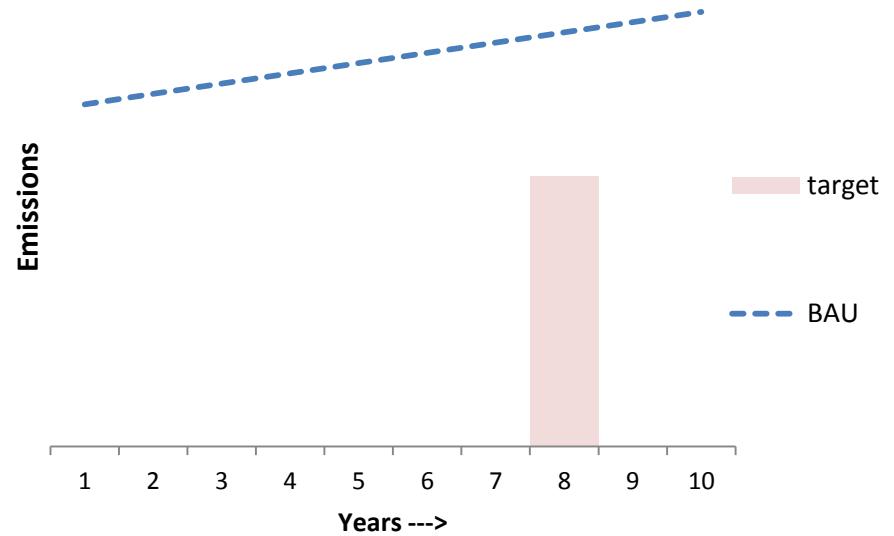
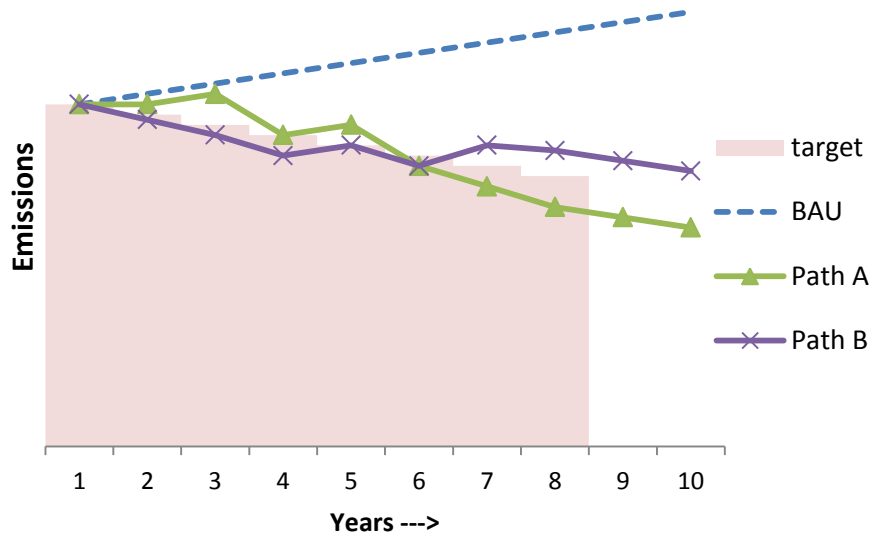
Implications of multi- and single-year targets...



Multi-year target

Single-year target*

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Multi-year target

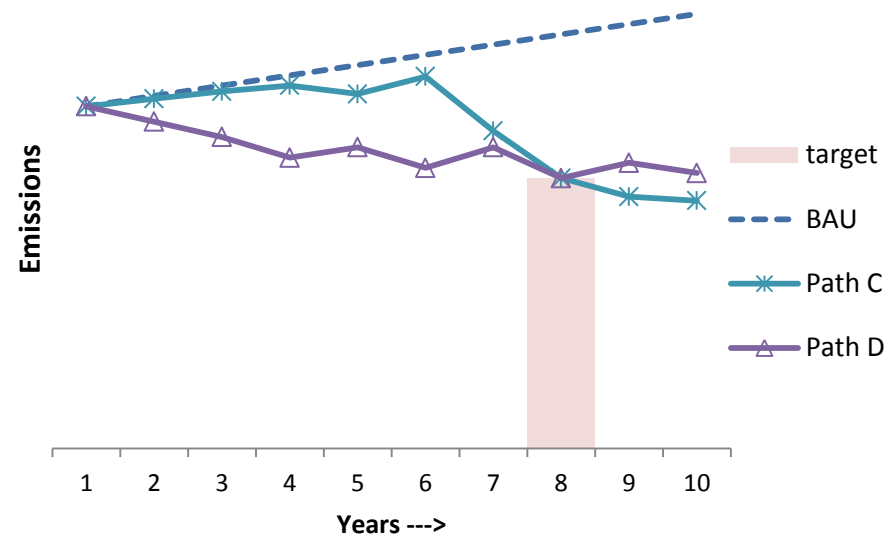
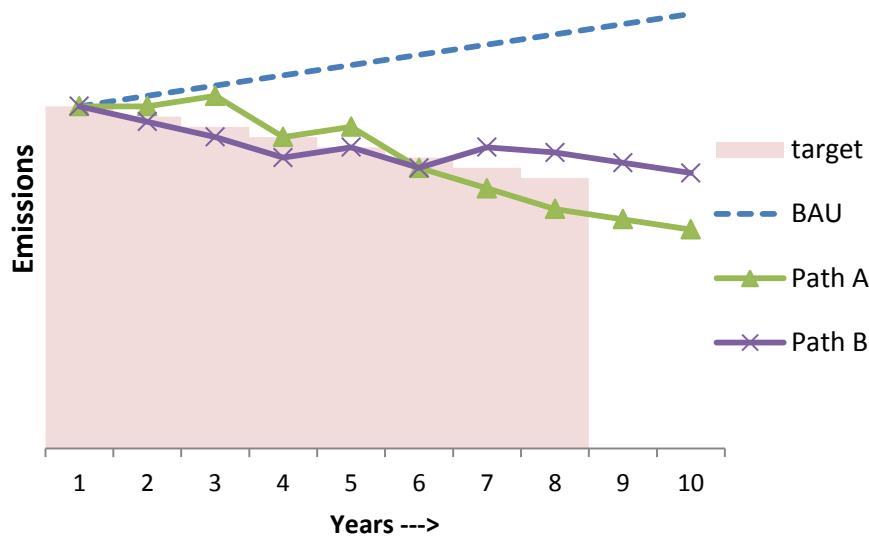
Single-year target

Target attainment based on **cumulative emissions** over multiple years

Limited **flexibility in emissions path** due to total cap

Some flexibility in 2020 emissions

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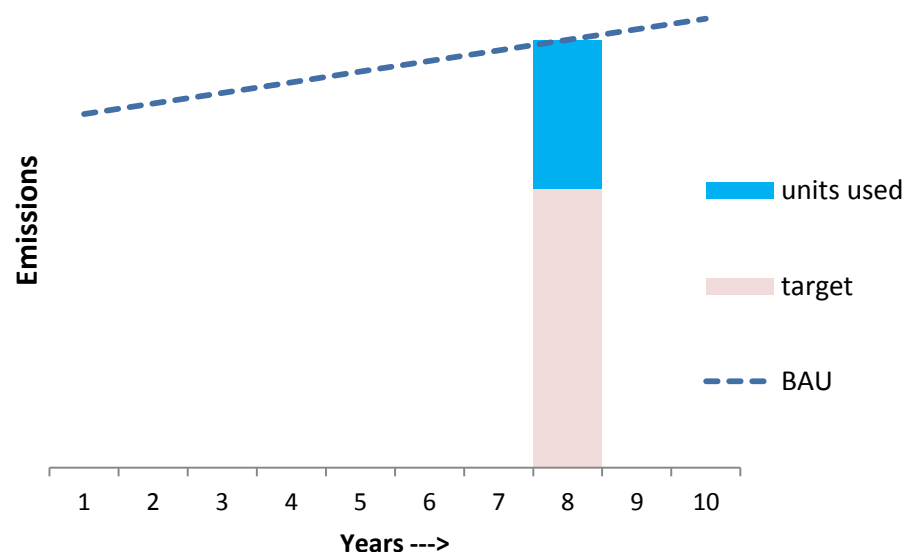
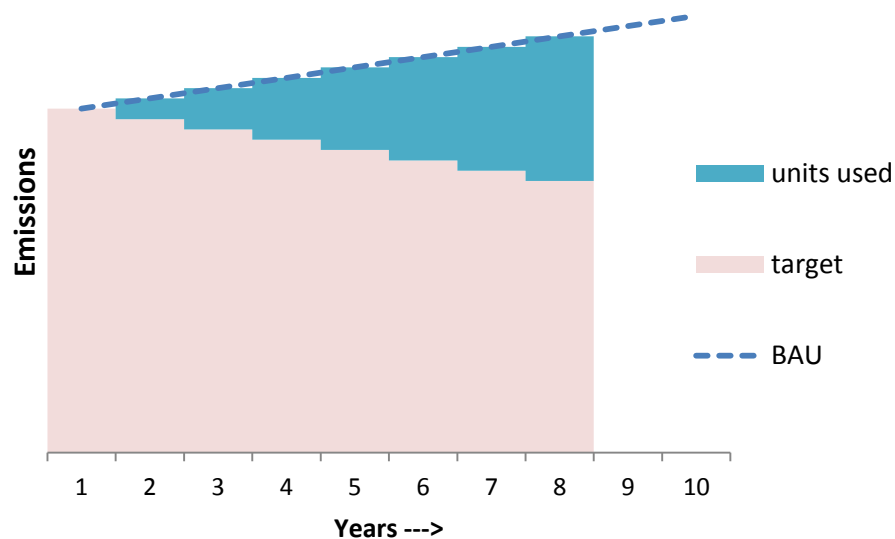
Single-year target

Target attainment based only on **single year's emissions**; **uncertainty of cumulative emission** reduction makes comparability more difficult

Significant leeway in emissions path: can wait to reduce emissions just before target year

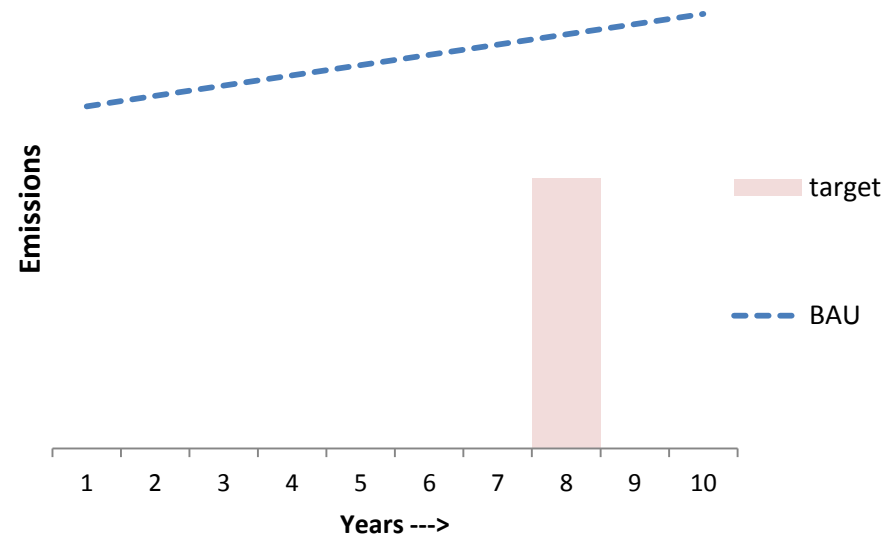
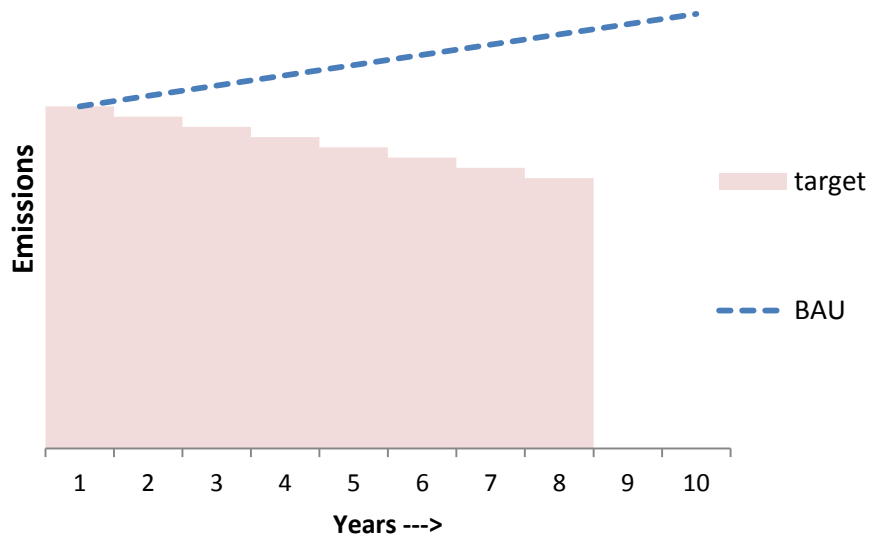
No flexibility in 2020 emissions; greater exposure to annual variability in economy, weather, trade, etc.

Transferable emissions units introduce considerably more flexibility and potential for divergence in mitigation outcomes



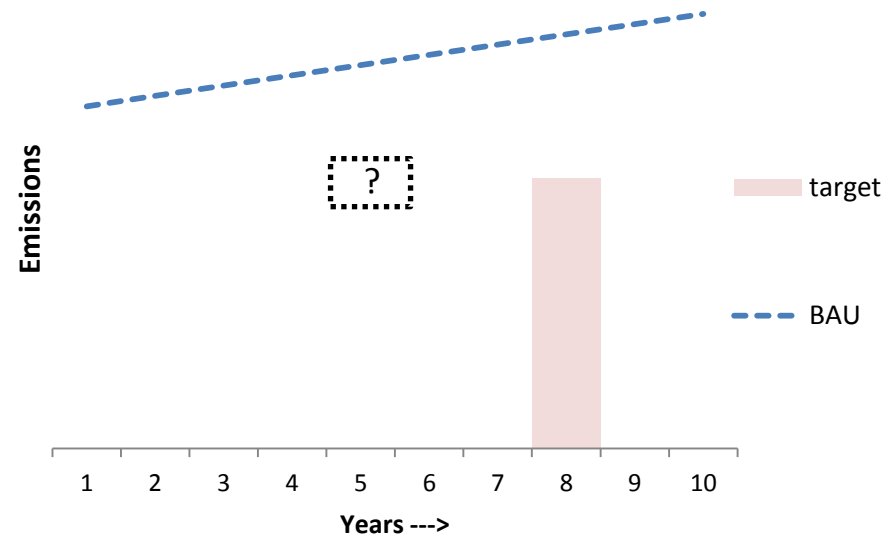
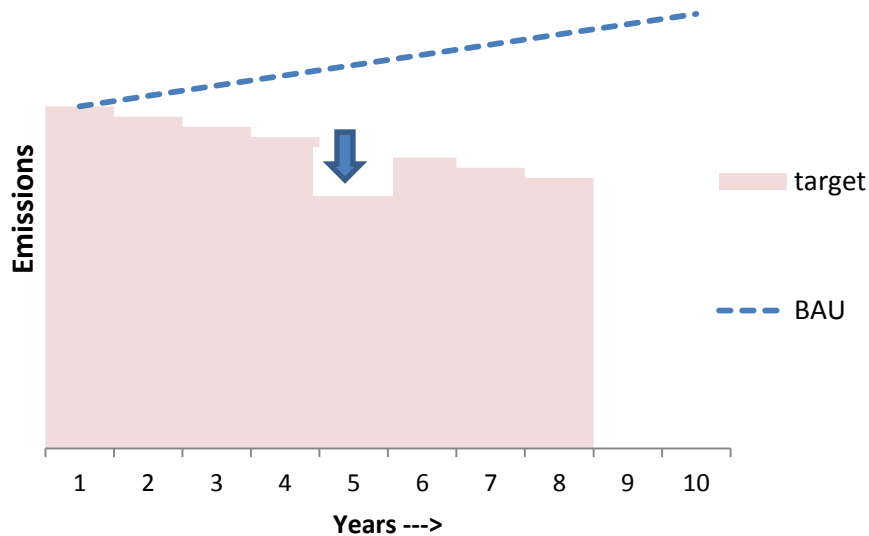
- Parties could conceivably rely on units to stay closer to BAU path for domestic emissions
- Reliance on units is much easier with single vs. multi-year target
 - Considerably fewer units need to be acquired
 - Fewer total emission reductions
 - Further decreases comparability of targets or commitments

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- If a “year 5” offset or allowance is transferred or sold internationally
 - A Party with multi-year target can emit less (or must buy units)
 - A Party with a single-year target is unaffected
- This can further complicate the comparability of targets, especially post-2020

What types of units and vintages would be appropriate to use to meet a target?

- Domestic allowances banked from years before the target?
- International offsets or allowances with vintages outside the year(s) covered by the buyer's target? ...seller's target?
- Domestic offsets from sources not covered by target with vintages outside the year(s) covered by the buyer's target?
- Can offsets be given clear "vintage years"?
- Can markets operate efficiently with many, differing vintage restrictions?

Options for making single-year targets more compatible with unit use

A Party can use of units for target attainment if either:

1. Unit vintage year(s) are consistent with Party's target
 - difficult to operationalize (lack of clear offset vintages), hard to achieve if there are linkages among mechanisms, and likely to distort markets
2. Party translates single-year targets into emission paths
 - effectively means adopting a multi-year target
3. Party cancels units for years prior to a target year
 - similar to option 2, but only affects use of units, not overall emissions
 - e.g. if 8 units used in target year 8, then acquire and cancel another 7 units for year 7, 6 units for year 6, etc.

Double counting / double claiming

- Double claiming of same emissions reductions by >1 Party could reduce mitigation benefit of 2020 pledges by up to 1 GtCO₂*
- Options to avoid double claiming are relatively straightforward:
 - a) **Restrict units** that can be used for target attainment to emissions or emission reductions that are not covered by an emissions target.
 - b) **Adjust allowed emissions amounts.** Example: Kyoto Protocol JI offsets are created through the conversion of an assigned amount unit. Effectively makes target stricter.
 - c) **Adjust reported emissions accounts.** Add the amount of emission units sold internationally to accounts of the host country as an emission. (draft GHG Protocol Goals Standard, OECD paper).
- Parties with bilateral arrangements should agree on how to share ownership of emissions reduction
- Other potential double counting issues – multiple market instruments covering same emissions, upstream/downstream overlaps, finance, etc. – can be addressed through additional procedures (e.g. tracking, registries, methodologies)