

US Views on the Framework for Various Approaches



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OECD CCXG GLOBAL FORUM
BREAKOUT GROUP 5B
GHG EMISSIONS ACCOUNTING:
ELABORATION OF THE FVA

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The Framework for Various Approaches



- Undertaking work program “with a view to” recommending draft decision by COP 19
- Work program will address:
 - ✦ The purpose of the framework
 - ✦ Scope of approaches to be included in the framework
 - ✦ A set of criteria and procedures to ensure mitigation outcomes are “real, verified, additional, permanent, achieve a net decrease and/or avoidance of greenhouse gas emissions”
 - ✦ Technical specifications to avoid double counting through the accurate and consistent recording and tracking of mitigation outcomes
 - ✦ Institutional arrangements for the framework

Why the FVA?



- Allow for increased mitigation activity by a wider range of actors through the development and use of market based systems
- Promote real emission reduction outcomes
- Promote efficiency of markets through coordinated systems
- Maintain flexibility for evolving domestic policy
- Avoid double counting and hot air in the system
- Understand what other countries are doing to meet their emission reduction pledges
- Facilitate discussions on accounting for market based mechanisms

The Framework for Various Approaches



- Applies to market-based programs developed by Parties independently or jointly that trade units internationally and are applied towards international mitigation commitments
- Different pieces of framework could apply to cap and trade vs. offset programs
- Central question: What is the role of the UNFCCC related to these programs?

The Framework for Various Approaches



- **USG still developing positions on key issues**
- **Want to develop a flexible but robust approach that works with our sub-national systems (California and the Regional Greenhouse Gas Initiative)**
- **Recognize the need for internationally coordinated systems to prevent double counting**
- **See the FVA as important transparency linking/coordination tool**

International Reporting Requirements



- **An international reporting system that:**
 - accurately reflects international emission unit transfers that are applied to a national UNFCCC mitigation pledge
 - demonstrates how national accounting of progress toward or achievement of a UNFCCC mitigation pledge is reconciled with international transfers of emission units and national GHG inventory reports
 - Includes information on program design and administration

Program Level Reporting



- Program administration
- Transparency provisions/practices
- Types of eligible mechanisms
- Coverage of the program
- Demonstration of clear ownership of emissions rights
- Issuance and retirement procedures for units
- Serialization and tracking procedures for units
- Compliance and enforcement procedures
- Offset project or activity documentation procedures
- Validation and Verification requirements

Addressing Core Quality Criteria in CP17/para 79



- **Comprehensive documentation that international emission trading systems and offset programs meet core quality principles identified in CP17/para 79**
- **this reporting should include detailed information about the design and implementation of such systems and programs, including:**
 - Project or activity additionality
 - Project emissions baseline
 - Quantification and monitoring
 - Permanence
 - Leakage

International Tracking Requirements



- **Transparency and information disclosure guidelines for allowance tracking systems and offset project/activity registries, which should include information on:**
 - Recordation of permanent transfers of emission units across international borders in an emissions trading system or offset program
 - Data related to issuance and retirement of emission units that are transferred internationally and applied toward a UNFCCC mitigation pledge
 - Reporting showing the impact of permanent international transfers of emission units on progress toward or achievement of a UNFCCC mitigation pledge

National/Subnational Tracking Systems



- **Emission unit tracking systems should perform the following functions:**
 - Record the issuance and retirement of allowances and offset credits issued by nationally or sub-nationally administered emissions trading systems and /or offset programs.
 - Provide for issuance of unique serial identifiers for every emission unit in the emission unit tracking system.
 - Provide a record of all transfers of emission units among accounts in the emission unit tracking system.

Outstanding Questions



- **High degree of interconnectivity among various issues currently negotiated in isolation, how do we best address this?**
 - MRV, ADP, Mitigation, Ambition, Markets, REDD+
- **How will ETS' be addressed under the FVA?**
- **Which institutional arrangements for transparency/review will work best?**
 - Integrated into existing ICA/IAR structures?
 - Developed under a linked but separate MRV system in the FVA?
- **How do we address inter-linkages between FVA and emergent ADP negotiations and potential structures?**

Concluding Thoughts



- In the “Cancun paradigm” emissions trading will play a totally different, and much more central, role in accounting than under KP
- Understanding unit movement will be critical for assessing progress towards pledges in a world without AAUs
- New systems will need to be developed that are able to accommodate a much wider range of target types and actors
- For now, the FVA is the logical place to have this conversation and begin to develop the technical systems necessary to accommodate this more complex reality