

**anja kollmuss**  
independent  
climate policy  
analyst

climate@anjakollmuss.com  
zürich, switzerland +41 77 485 366  
berlin, germany +49 1 573 401 330  
www.anjakollmuss.com skype: anja66

## Accounting for tradable GHG units

OECD, CCXG  
19 March 2013

- **What do we need to know about pledges to avoid or minimise “double claiming” of market units as counting towards the pledge of more than one country?**
- **What are the implications of single-year versus multiple-year targets for transfers of market units?**

**Doha decision:**

*[...] standards that deliver real, permanent, additional and verified mitigation outcomes, avoid double counting of effort and achieve a net decrease and/or avoidance of greenhouse gas emissions; (FVA: para 42, NMM: para 51)*

# Double counting

**Type 1:** Emission reduction (ER) issued in more than one unit type

**Type 2:** ER counted by host and buyer country (“double claiming”)

**Type 3:** Purchased credits counted both as mitigation and financial contribution

# Type 1:

## ER issued in more than one unit type

ER issued as a credit in more than one unit under different market based mechanisms (e.g. as CDM offset and as a NMM credit).

Avoiding this type of double counting seems to be, at least in principle, non-controversial.

- ➔ Could be partially addressed through **careful accounting and common or well linked registries**. Yet by no means simple! Requires reliable up-to-date data that enable identification of different sectors and their overlap.
- ➔ From a technical perspective, such rules are most easily implemented **under a common tracking system along with centralized oversight or review** that would allow for the identification and rectification of double counting under different market and non-market based mechanisms.

## Type 2: ER counted by host and buyer country ("double claiming")

- ER counted by both the host country and the buyer country.
- In their pledges, some developing countries explicitly mention that they intend to use international market mechanisms, including emission reductions sold as offsets to other countries, to meet their country pledge.
  - Type 2 double counting could lead to double counting in the order of more than 1 billion tonnes of ER in 2020, increasing the projected emissions gap by approximately 10% (UNEP 2012, Erickson et al 2011).

# Type 2 cont.

Avoiding type 2 double counting is closely linked to having clear, transparent and quantifiable pledges:

- **No pledge in host country:** type 2 double counting is not an issue (e.g. current CDM scenario).
- **Host country has a pledge :**  
type 2 double counting possible if internationally sold GHG units are covered under the pledge e.g. in the same sector or economy wide pledge.
  - ➔ **An equivalent amount to the emissions units sold must be added to the emission accounts of the host country to meet its pledge e.g. current JI scenario. (The exception would be if the buyer country wishes to count the purchase as a financial contribution and does not count it towards its pledge.)**
  - ➔ **This requires the host country to have a quantifiable pledge.**

## Type 3:

# Purchased credits counted both as mitigation and financial contribution

Purchasing international GHG units is counted by the buyer country as ER and also towards the fulfillment of their financial obligations.

- Some think such a multi-use is acceptable, while others have explicitly stated such double counting should not be allowed.
- If Parties wish to avoid type 3 double counting, rules could be established that when **purchasing ER units a buyer country can only count the ER or the financial contribution but not both.** (This would also enable host countries to count those units for compliance with their own goal. This complements the rule that only the buyer country gets to account for the emissions reduction.)

# Type of pledge/target and measuring unit

- 1. Absolute reduction against historical base year:** measured in tonnes of CO<sub>2</sub>e reduced below a certain baseline (e.g. US, Russia).
  - *Carbon budget* (KP Parties): targets converted into average emissions limits over an eight-year period.
- 2. Absolute reduction against future BAU emissions:** measured in tonnes of CO<sub>2</sub>e reduced below a BAU trajectory (e.g. Brazil, South Korea).
- 3. Intensity based reduction commitments:** measured in tonnes of CO<sub>2</sub>e divided by an indicator, such as gross domestic product (GDP). (e.g. China, India)
- 4. Reductions to a fixed emissions level** (e.g. carbon neutrality: Maldives)
- 5. Pledges to introduce policies and measures (e.g. NAMAs)** which may result in the reduction of GHG emissions **without quantified reduction targets**

# Type of pledge/target and measuring unit

Comparability of mitigation efforts is difficult with varying types of pledges.

Accounting for tradable GHG units is possible and can be addressed, **as long as there is a quantifiable reduction target**. Accounting for such units is possible under cases 1-4.

- E.g. once GDP is known, an intensity based target can be quantified. The same holds true for a reduction target relative to BAU: once BAU is set, the reduction target is quantifiable.

In case 5 the country presumably does not have a sector or economy wide target: avoiding type 2 double counting is therefore not an issue (current CDM scenario).

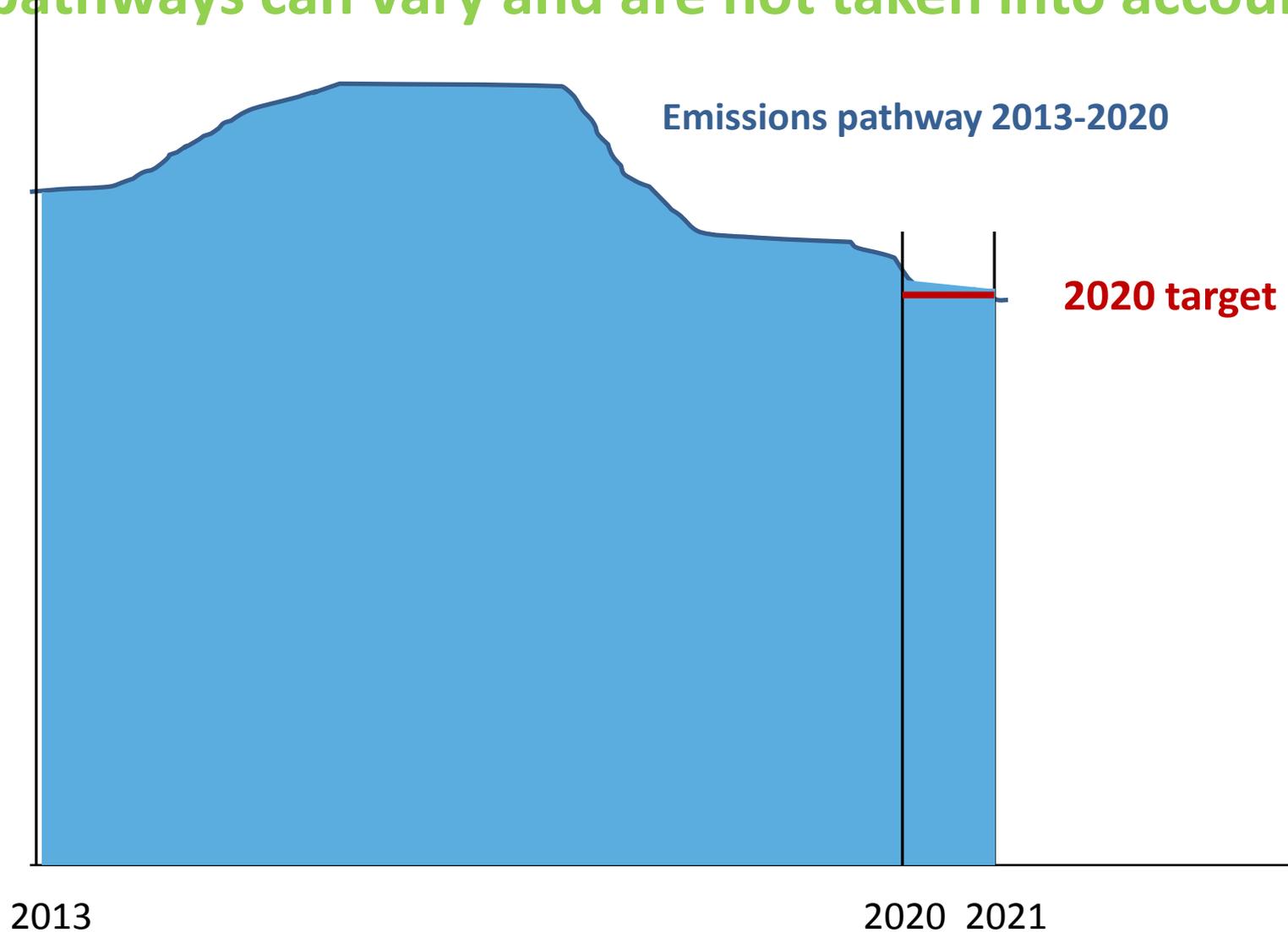
# Temporal differences of pledges

The timing and duration of pledges and targets vary.

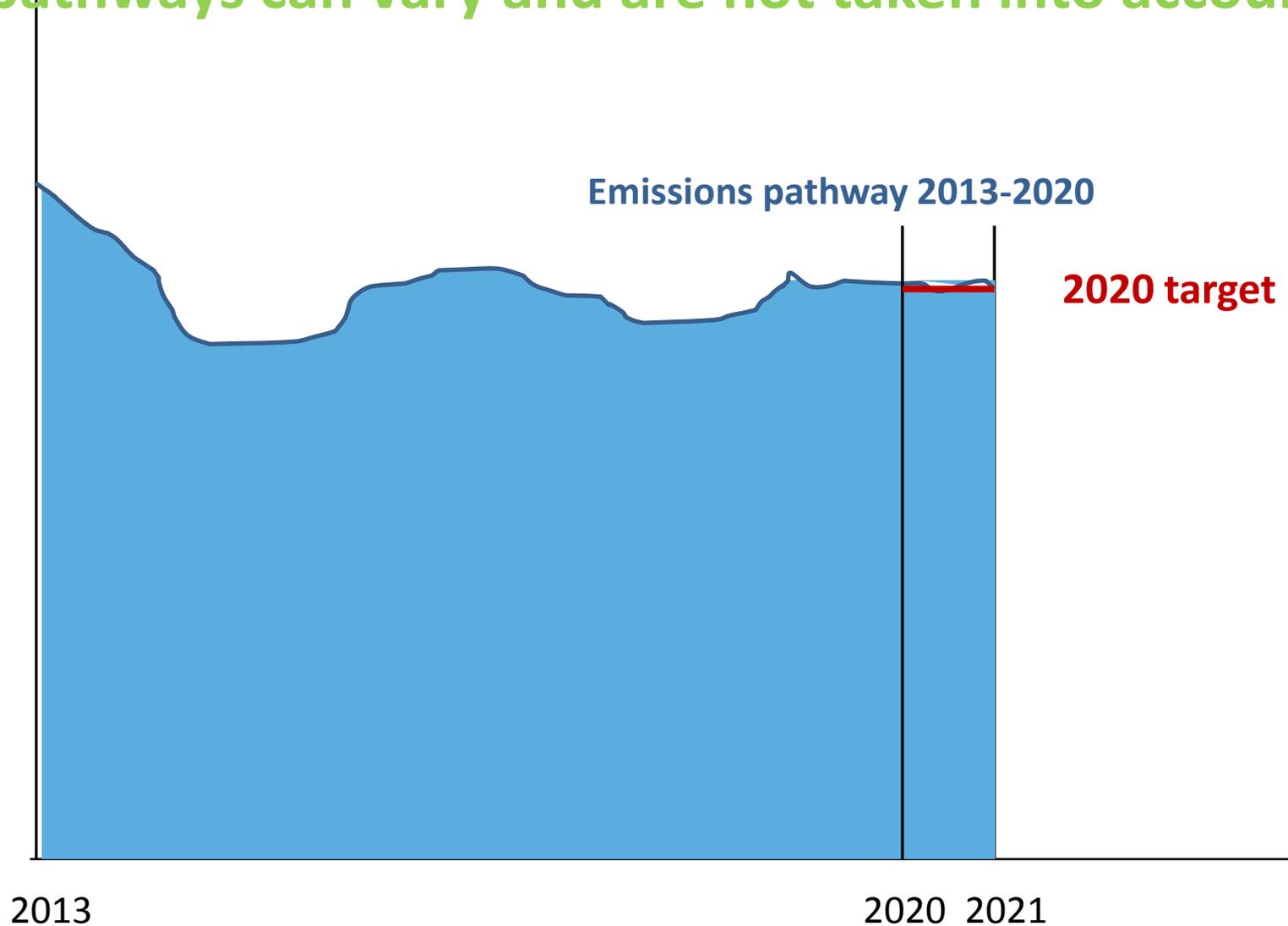
- Multi-year pledges (e.g. commitment period under KP)
- Single year pledges (e.g. pledges made under the convention -- 20% reductions of emissions from 1990 by 2020)

**Why does this matter for tradable GHG units?**

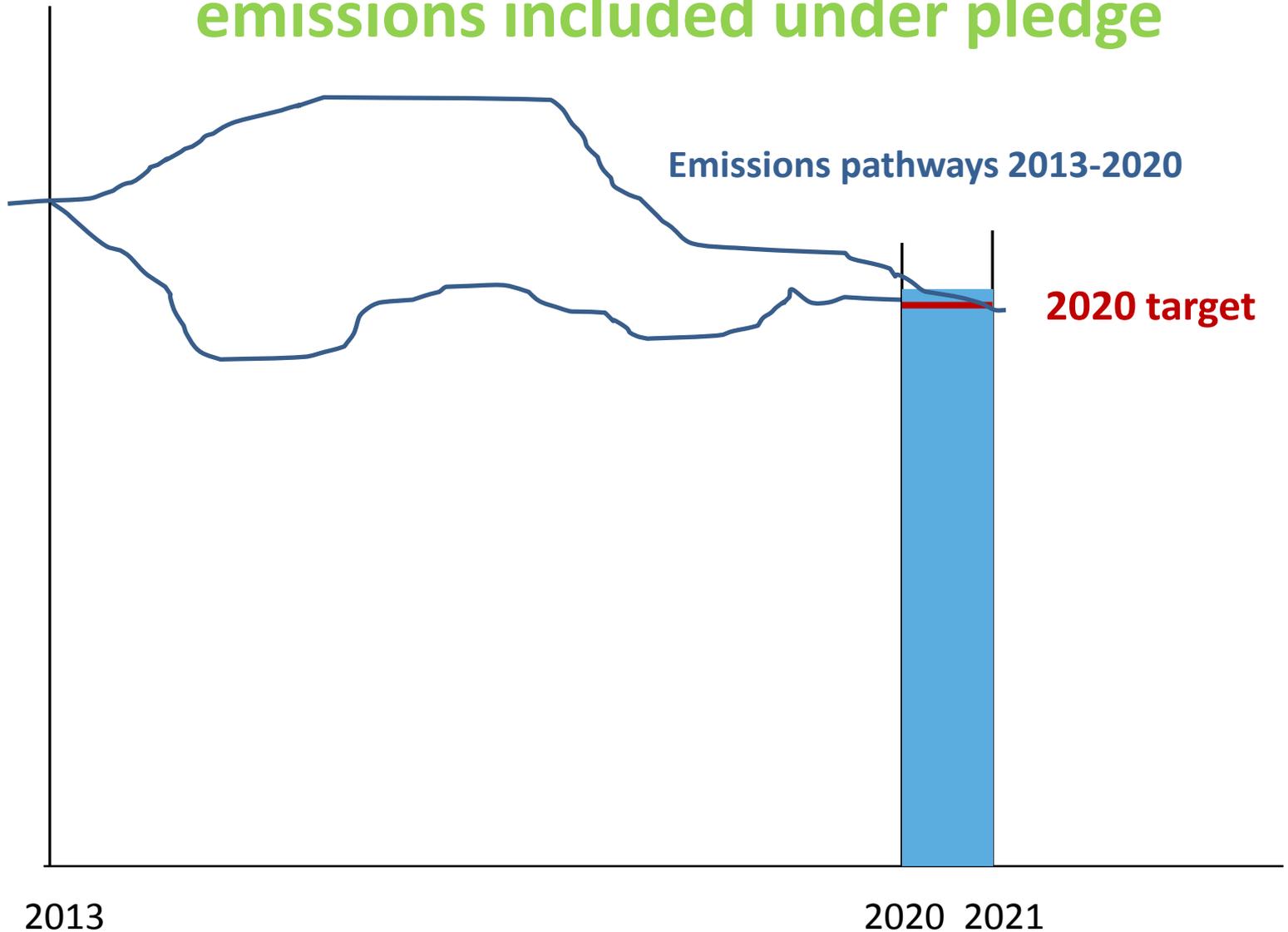
Single year target:  
pathways can vary and are not taken into account



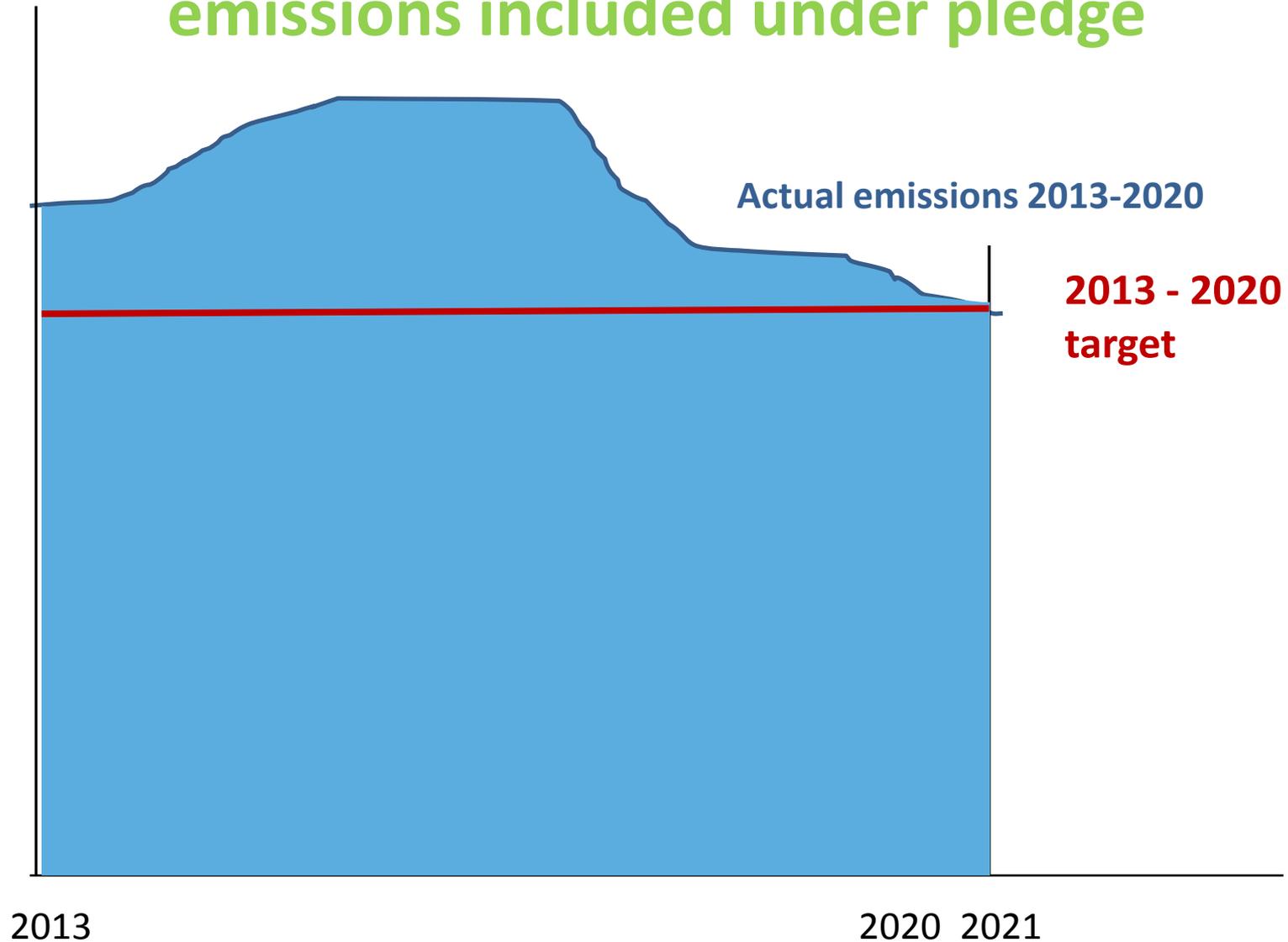
Single year target:  
pathways can vary and are not taken into account



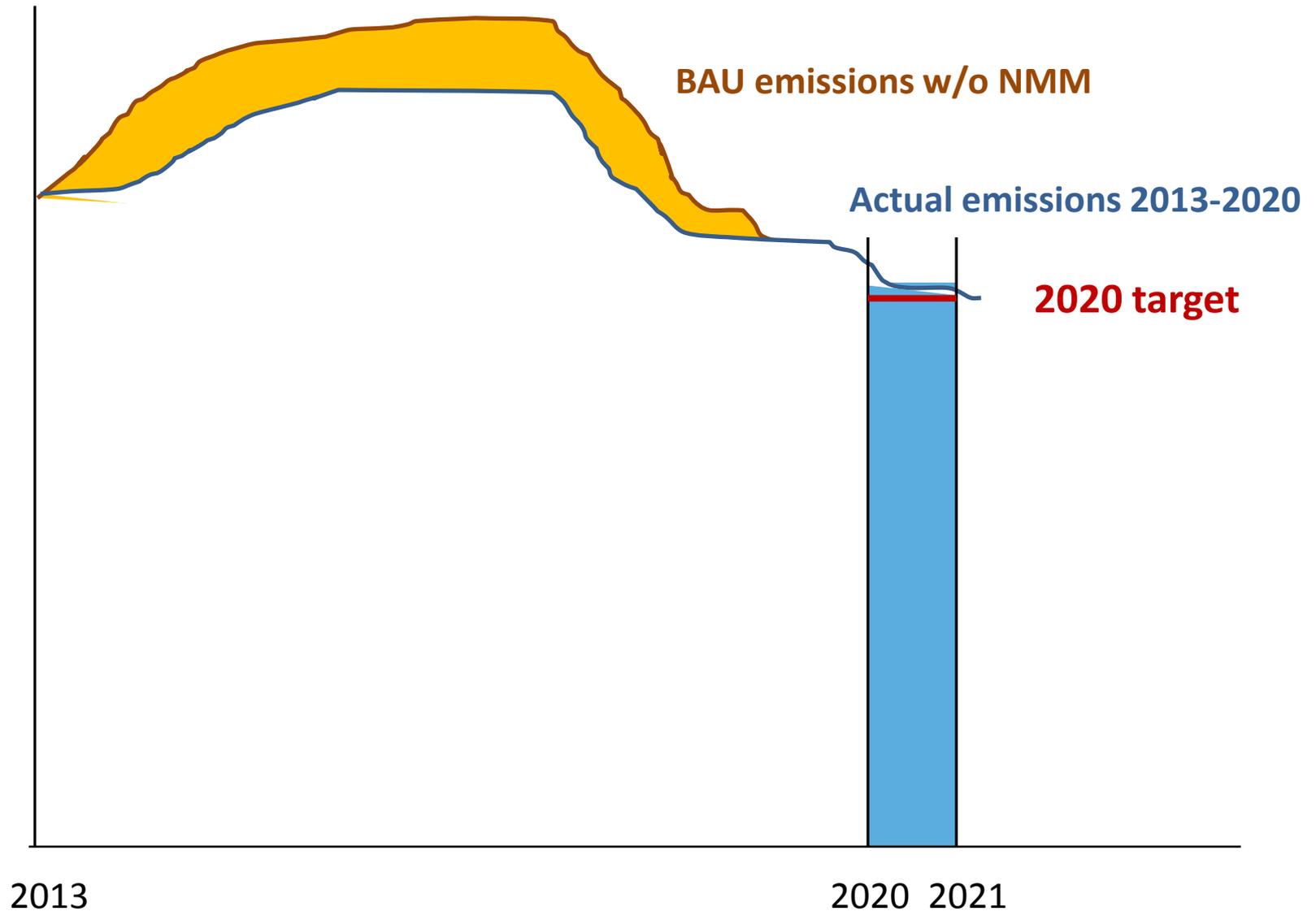
# Single year target: emissions included under pledge

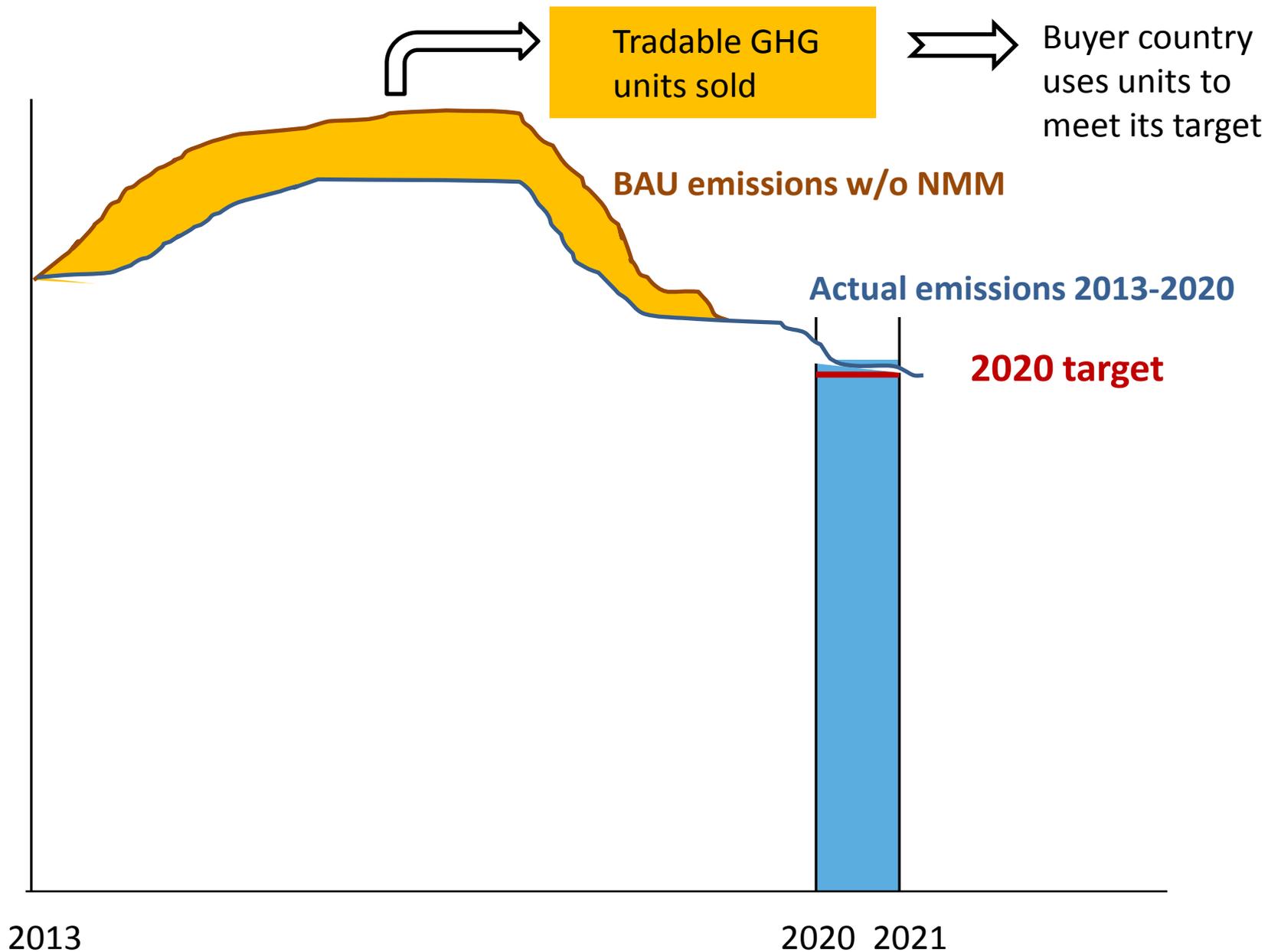


# Multi year target: emissions included under pledge

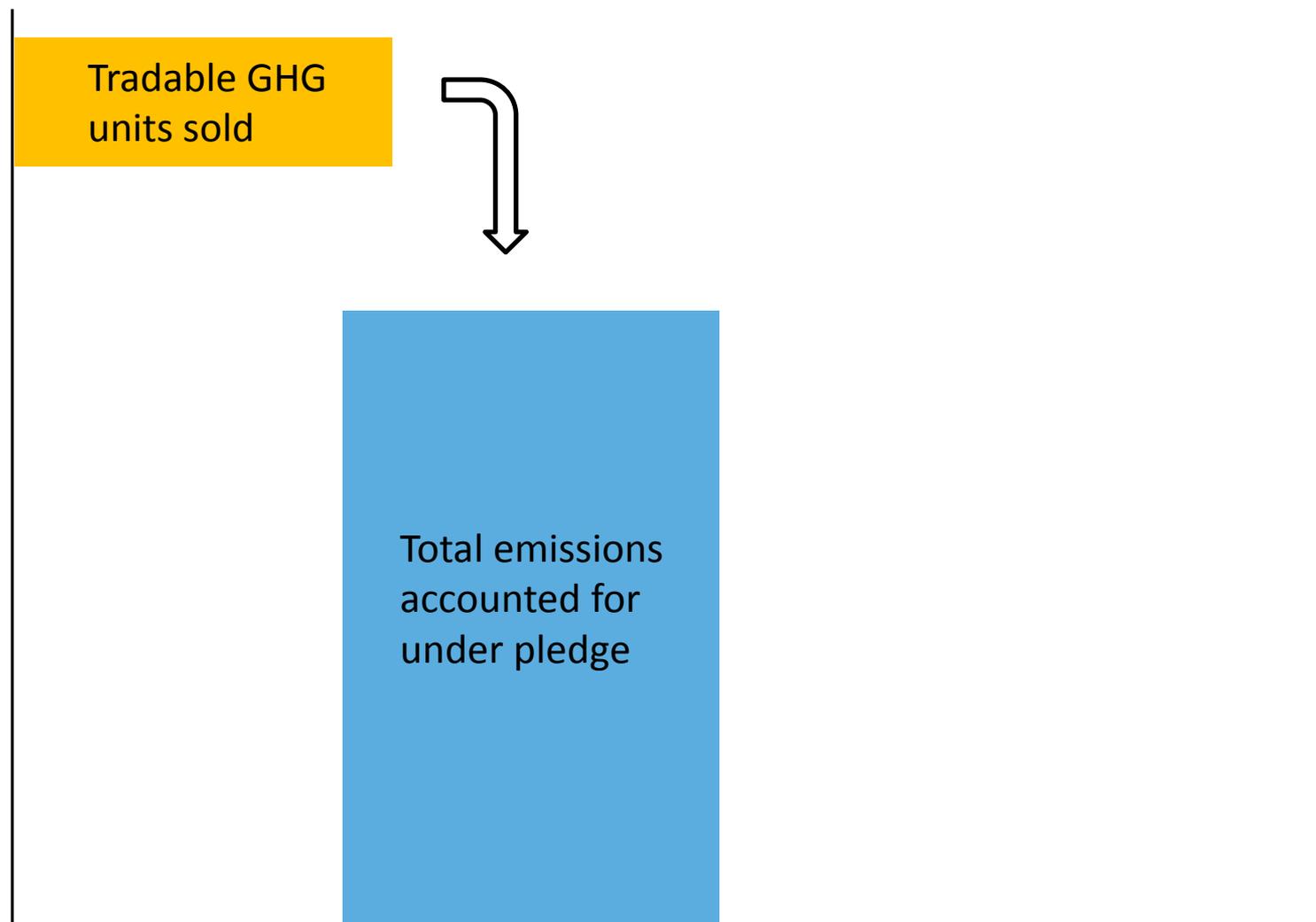


# Tradeable GHG units under single year target

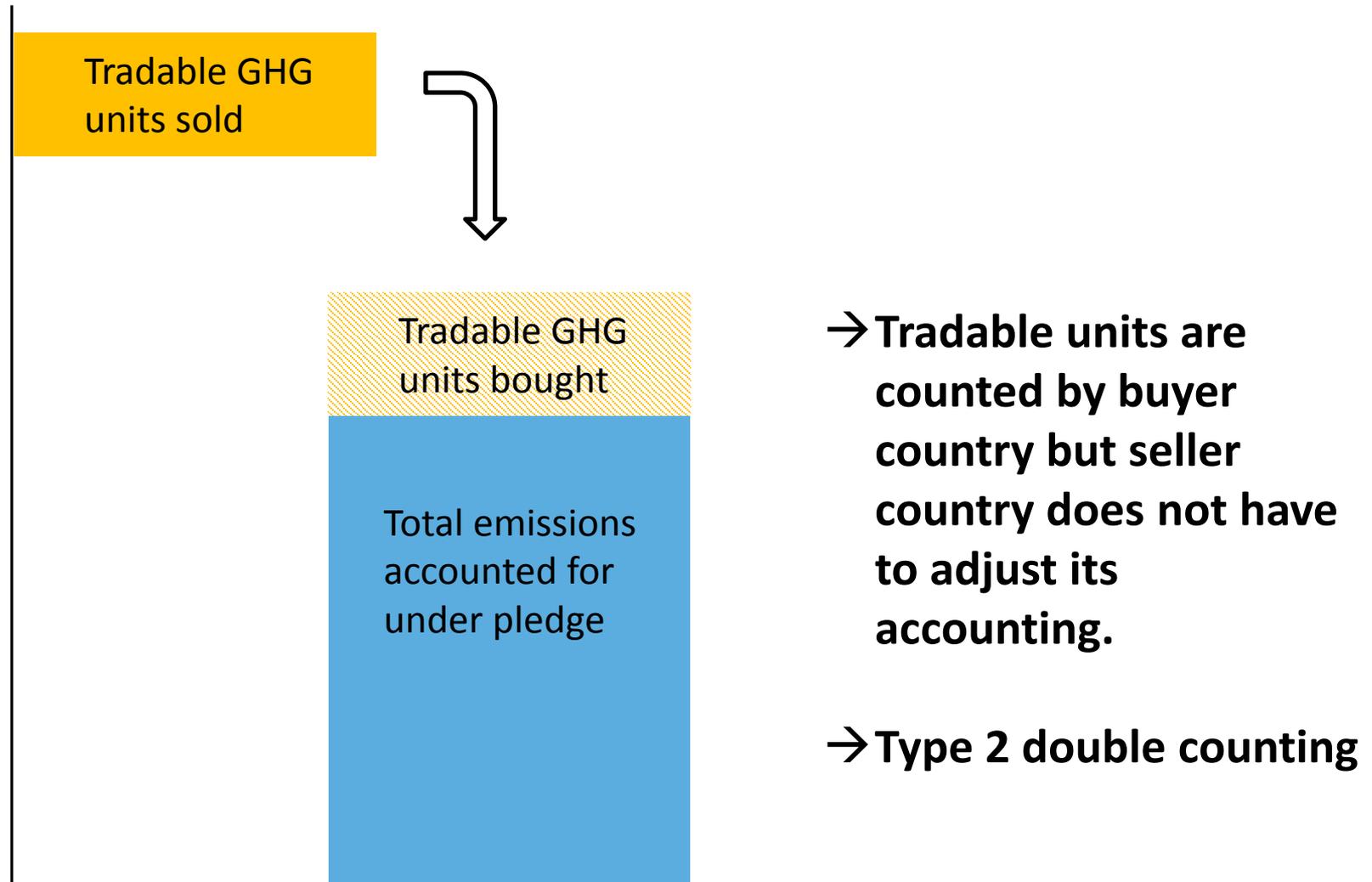




# Tradeable GHG units used by buyer for compliance



# Tradeable GHG units used by buyer for compliance



# Addressing accounting issues for tradable GHG units sold under single year pledges

Tradable units only be issued for years that are covered under a host country's pledge.

- address the single year issue
- may encourage countries to take quantifiable multi-year pledges.

anja kollmuss  
independent  
climate policy  
analyst

climate@anjakollmuss.com  
zürich, switzerland +41 77 485 366  
berlin, germany +49 1 573 401 330  
www.anjakollmuss.com skype: anja66

Thank you!

OECD, CCXG  
19 March 2013