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Federal Department of the Environment,
Transport, Energy and Communications DETEC

Federal Office for the Environment FOEN
Climate Division

Governance roles under the framework for various approaches

Climate Change Expert Group, Global Forum, OECD/IEA

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Elements of the FVA to be operationalized

- **Transparency AND common requirements** for ensuring environmental integrity and confidence
- **Common requirements AND flexibility** for implementation of mitigation activities
- For activities developed **inside AND outside** the UNFCCC process
- **Crediting AND trading**
- When a country **transfers** some of its emission reductions to another country, that accounts them toward its emission reduction commitment
- **Not applicable to purely domestic** mitigation policies and measures (effect in national inventories)



Why some international scrutiny?

Incentives to misuse the system

- Host country to issue as many units as possible
- Investor country to receive as many units as possible and at a low price

Fragmented market

Incentives/safeguards to achieve real emission reductions

- Transparency
- Common requirements
- Conformity checks with common requirements

Fungibility of units and liquidity of market



3 functions of the framework

1. Common accounting elements
2. Guidance on common requirements
3. Conformity checks to allow recognition of activities as eligible for meeting emission reduction commitments under the Convention



1. Common accounting elements

- **Issuance** of units by a UNFCCC body or by Parties in a transparent manner according to the framework's guidance (under UNFCCC scrutiny)
- **Tracking** of units through the International Transaction Log (ITL)
- Avoidance of **double-counting**
 - Between market mechanisms
 - Between host and investor countries
 - Between financial contribution and mitigation purposes



2. Guidance on common requirements

- **Flexibility** should be provided whenever it does not endanger environmental integrity
- **Guidance on common requirements** related to:
 - **Requirements** for participation (e.g. national arrangements for country Parties)
 - **Definition** of segments, sectors, subsectors or policies
 - Data quality, **MRV** requirements, independent verification and publicly available information
 - Methods or instruments for achieving **net decrease/avoidance of emissions** (e.g. ambitious crediting baselines/thresholds, discounting/cancellation)
 - **Baseline setting** (e.g. below BAU, conservativeness, avoiding perverse incentives at the national level to delay mitigation policies)



3. Conformity checks to allow recognition as eligible for meeting commitment

- **Conformity checks** with the common guidance to ensure that the common guidance is followed
- If not passed successfully, **recommendations for adjustments** before reapplying to the check process
- At the level of the **activity**, it does not have to be at the level of the units
- In a non-political manner, by a body of fulltime **technical** experts and without conflicts of interests



Link with the design of the post-2020 agreement?

The design of the post-2020 agreement **does not predefine** the type of approaches under the FVA (market/non-market) or the robustness of the standards

- Voluntary market has standards for ensuring environmental integrity
- Both market and non-market approaches could be used under any kind of post-2020 agreement
- A less enforceable/inclusive post-2020 agreement would require even more robust requirements under the FVA to ensure that transfers of emission reductions meet the standards



Contribution to pre-2020 ambition

- Facilitating a **prompt start** of activities
- Recognition of activities (developed as of 2013) for meeting 2020 pledges if the activities can **successfully pass the conformity checks** (some adjustments or discounting of the activities might be necessary)
- **Build upon experiences and activities of high quality** and guide new activities **towards quality**



Progress to be made this year

- Provide guidance to countries and incentivize investment by the private sector, by:
 - **FVA**: Setting the **cornerstones** of the accounting elements, of the guidance on common requirements and of the conformity checks, with further details to be elaborated next year
 - **NMM**: **Elaborating and adopting** the modalities and procedures
- Encourage **early action** both under the FVA and the NMM
- **Further elaboration and improvement** of the common requirements/modalities