



Considerations to avoid the build-up of hot air in the Paris climate treaty

24 November 2015

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Overarching aim:

Ensure the environmental
integrity of any use of
international carbon markets

How to do this?

Be mindful of the global C budget

- Exceeding an estimated budget of just 1,000 Gt CO₂ would increase the risk of severe, pervasive, and in some cases irreversible climate change impacts”*
- Need to differentiate between international offsets and emissions trading under a cap
- Emissions trading:
 - Caps must be ambitious
 - A means to potentially mitigate at lower cost, by increasing the pool of cost-effective emission reductions
 - Trading must be supplemental to domestic action
- International offsets:
 - No room for offsetting in the limited remaining global carbon budget: need strong transformative climate action to avoid lock-in
 - Supported action in sectors not covered in developing countries’ INDCs should count as climate finance

*UNEP, 2014, Gap Report

Carbon Offsets vs. Climate Finance

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-CO₂

Avoid hot air: what is it?

- Carbon permits that do not represent real emission reductions
- If used by countries to count towards mitigation pledges, hot air increases overall emissions
 - Double counted emission reductions
 - Non-additional or over-credited carbon offsets from projects in developing countries (*Clean Development Mechanism*) or Annex-I countries (*Joint Implementation*), e.g. projects that would have happened anyways
- Surplus of emission units under the Kyoto Protocol (**AAU surplus**)
- Surplus of emissions allowances from Emissions Trading Systems (**ETS surplus**)



#BEWARE HOTAIR



Hot air not avoided under the Kyoto Protocol

- Under the KP, countries have a carbon budget, represented by **Assigned Amount Units**: 1 AAU = 1 tonne of CO₂-eq
- The lack of environmental integrity has resulted in **11 gigatonne CO₂-eq. of hot air**
 - >95% of ERUs were issued by countries with significant surpluses of allowances in KP CP1*
 - ~3/4 of ERUs unlikely to be additional*
 - use of JI may have enabled global GHG emissions to be about 600MtCO₂e higher than they would have otherwise been*
- Results from **climate targets set above business-as-usual emission levels**, leading to a large stockpile of unused AAUs.

Avoid hot air: the Paris Agreement

- No banking forward of KP credits post 2020
- Avoid artificial supply for AAUs, JI and RMU credits through eligibility for voluntary cancellation, pre-2020
- Don't create new hot air, through ambitious targets and a ratchet mechanism to increase ambition in future

Ensure robust accounting rules

- Avoid double counting of mitigation
 - ensure clarity in tracking and a uniform MRV system that provides consistent and comparable information
 - require deletion from national inventories of credits sold from sectors covered in the country's INDC
- Avoid double counting of mitigation and finance
 - ensure a uniform MRV system that provides consistent information on climate finance
 - potential for revamping the CDM as a finance mechanism

Establish binding principles

- Supplementarity
- Net atmospheric benefit, ideally through discounting
- Mandatory quality criteria
 - real
 - permanent
 - additional
 - verified
 - contribute to sustainable development

Ensure markets contribute to SD

- Establish institutional safeguards to prevent social and environmental harm and uphold human rights
- Negative list of unsustainable, project types, to include:
 - Fossil power
 - Large hydro (>20MW)
 - Nuclear
 - CCS
 - REDD+ and LULUCF, with the exception of peat rewetting
 - HFC destruction and N₂O from adipic acid production
- Share of proceeds on all UN carbon markets, for adaptation, loss and damage, and REDD+ finance