

# Hot air and other environmental integrity risks under Article 6



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# Three key messages

1. Article 6 should not lead to higher GHG emissions.
2. Even with **perfect accounting**, two key EI risks remain:
  - a. **Hot air** (surplus from NDCs less stringent than BAU);
  - b. **Crediting of sources outside NDC scope.**
3. Solutions exist, but **compromises required**

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L. Schneider, J. Füssler, S. La Hoz Theuer,  
A. Kohli, J. Graichen, S. Healy, D. Broekhoff  
(2017). *Ensuring integrity under Article 6 of the  
Paris Agreement.*



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# Environmental integrity: a definition

*“ The use of international transfers does not result in higher global GHG emissions than if targets had been achieved only through domestic mitigation action. ”*

# Four influencing factors

- NDC quantification
- Vintages
- Corresp. Adjustments
- Metrics
- etc.

[Robust]  
accounting

- Unit is directly related to abatement of at least 1tCO<sub>2</sub>e
- Crediting: additional, not overestimated, permanent.
- ETS: cap is below BAU

Quality of  
units

Incentives  
for future  
action

- Lower costs can allow more ambition
- But monetization of units can carry perverse incentive

Ambition &  
scope of  
NDC

- Incentive to ensure unit quality if target is ambitious and units are within scope

1. Theory

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Hot air solutions



# Key risks

- ▶ Hot air potential:
  - ▶ **2.2 to 3.5 Gt (22% to 66%!) of all ambition in 2030**
  - ▶ Mainly from Russia, Turkey, Nigeria, Vietnam, Paraguay, Bangladesh, Ukraine
  
- ▶ Off-scope crediting potential:
  - ▶ **6.1Gt** not covered by pledges in 2030.
  - ▶ Mainly India and China



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# Possible solutions under UNFCCC

## ➤ **"Principles" & reporting and review**

- Pros: Low international regulation; Lots of flexibility in country-level implementation
- Cons: Relies on identification and correction of problems; No ex-ante assurance

## ➤ **"Limits" to number of ITMO issuance/transfer/use**

- Pros: If well designed, can provide ex-ante hot air prevention.
- Cons: Stronger international regulation; Robust design could be challenging.

# Possible solutions outside UNFCCC

## ➤ Carbon clubs

- Pros: Possibility for stronger regulation within club.
- Cons: Low ambition clubs!

## ➤ Green investment schemes

- Pros: If designed as a crediting mechanism, could help ensure integrity of units in government-to-government transfers.
- Cons: Non-universal application makes its usefulness very limited.

## ➤ Political commitments



# Hot air solutions...

- How much ex-ante assurance do we want/need?
  - Is blaming & shaming enough of an incentive?
  - Compromises could lead to reducing risks rather than preventing them.
- Sense of urgency: regulatory window of opportunity?
- Find solutions that prevent hot air transfers without limiting the ability of countries with ambitious targets to trade
- Possibility to implement solutions through "accounting" provisions, e.g. limits and even eligibility criteria.



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**Thank you!**

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**<http://bit.ly/Art6integrity>**