Hot air and other environmental integrity risks under Article 6

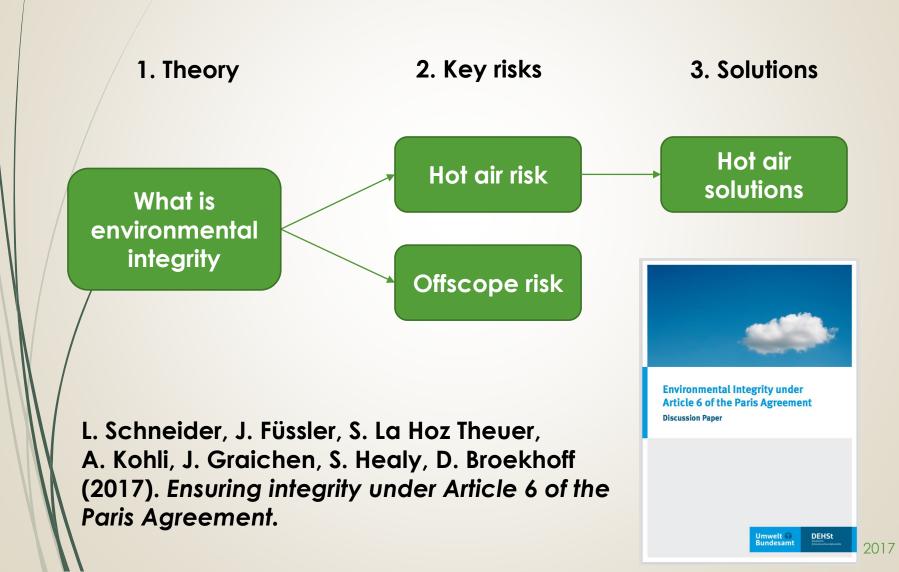
Stephanie La Hoz Theuer

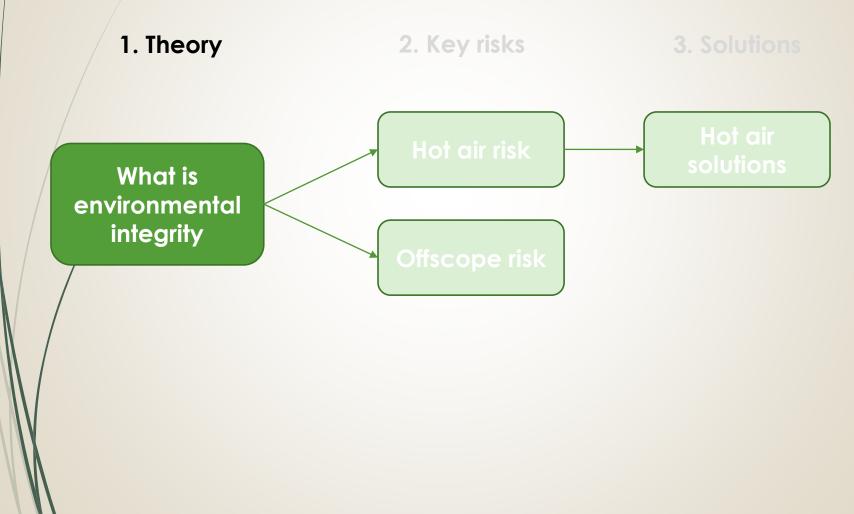
Independent researcher

Three key messages

- 1. Article 6 should not lead to higher GHG emissions.
- 2. Even with perfect accounting, two key El 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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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 1tCO2e
 - Crediting: additional, not overestimated, permanent.
 - ETS: cap is below BAU

Incentives for future action

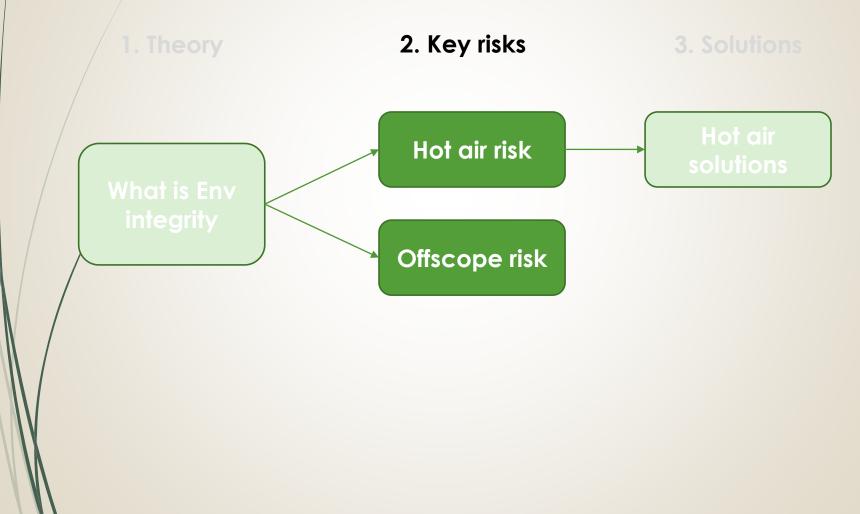
- Lower costs can allow more ambition
- But monetization of units can carry perverse incentive

Ambition & scope of NDC

Quality of

units

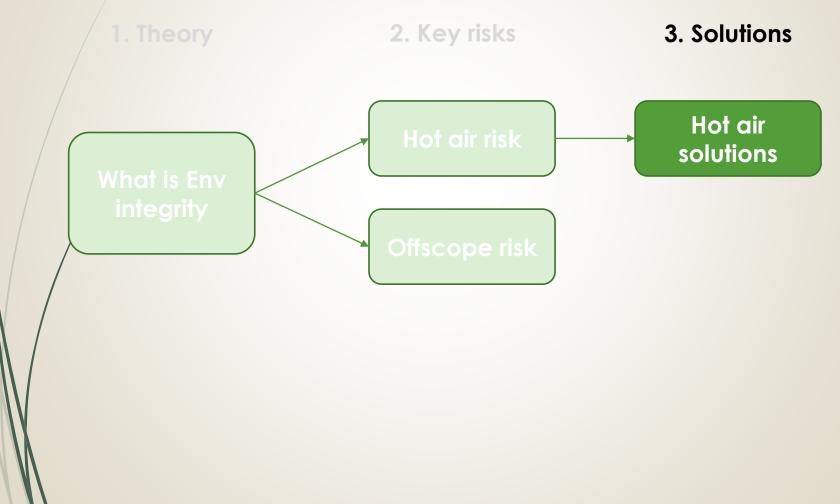
 Incentive to ensure unit quality if target is ambitious and units are within scope



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



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-togovernment 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.

Three key messages

- 1. Article 6 should not lead to higher GHG emissions.
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 - b. Crediting of sources outside NDC scope.
- 3. Solutions exist, but compromises required

Thank you!

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http://bit.ly/Art6integrity