

# Carbon Markets and Double Counting: Rules Needed for Trading Outside of NDCs

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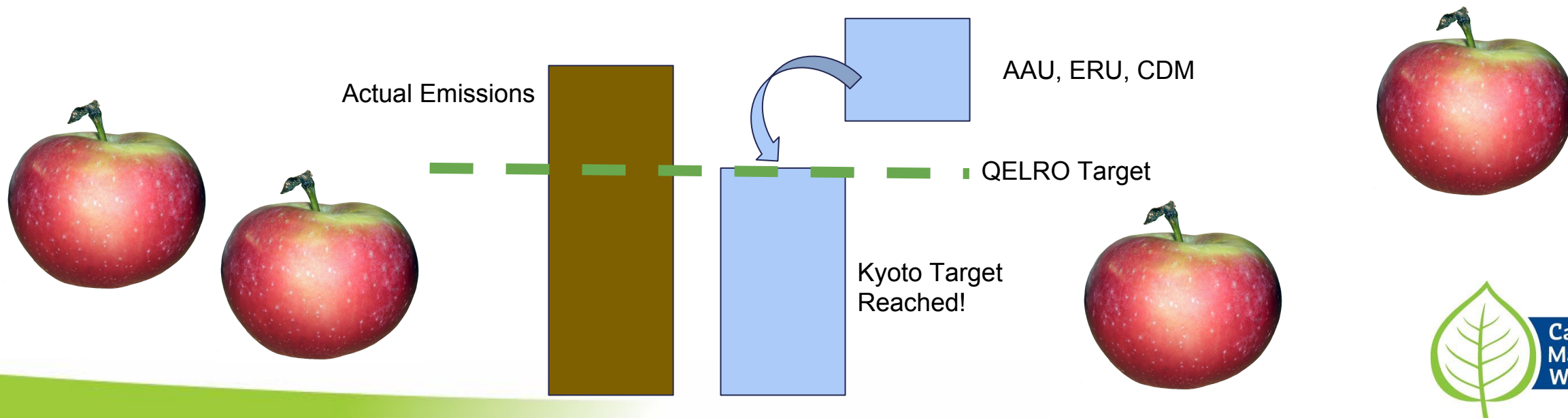
31 October 2017, International Transport Webinar



# Carbon Accounting in Kyoto



- Annex B Countries “Developed Countries”
- Based on Quantified Emission Limitation and Reduction Objectives (QELROs), economy wide, Same GWP, clear timing (commitment periods)
  - IET (AAU): if you overachieve your target, trade surplus
  - JI (ERU): reduce with specific project under cap, sell reduction
  - CDM (CER): reduce with specific project not under cap, sell reduction



# Bushel of Apples



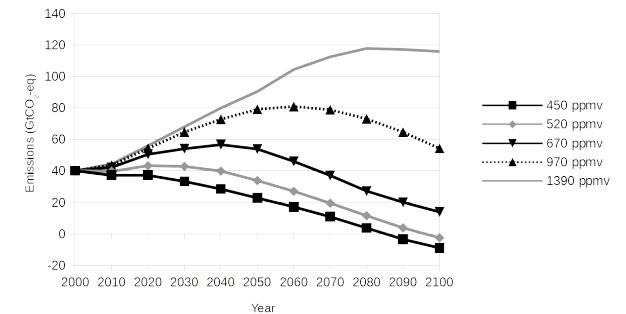
- Getting to the bushel is fairly straight forward
- Not enough to address climate change (lack of participation)
- Other problems with environmental integrity, but accounting fairly simple within Kyoto context

# Kyoto, .... Cancun, .... Paris



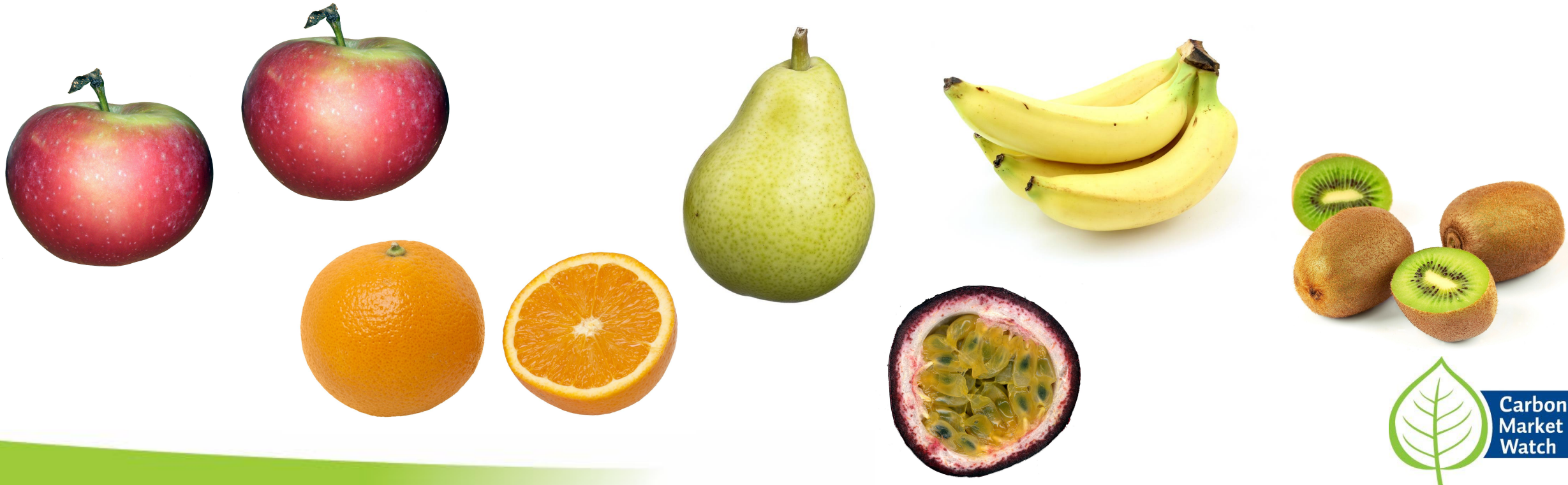
# Paris Context (1)

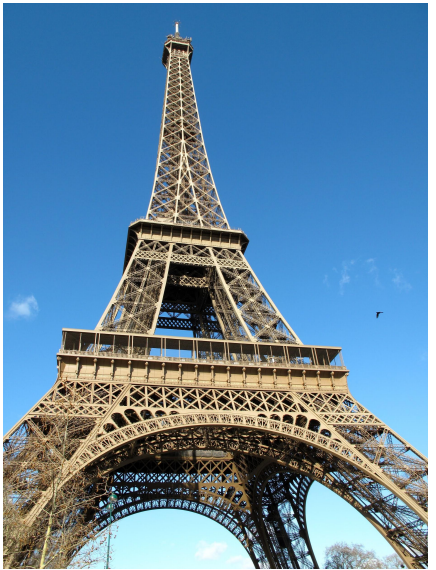
- **Overall goals:**
  - **Temperature:** Well below 2 °C; 1.5 °C
  - **Peaking:** Global peaking of greenhouse gas emissions as soon as possible
  - **Net-Zero:** Balance between emissions and removals in the second half of this century



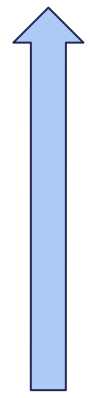
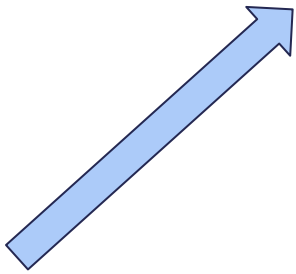
# Paris Context (2)

- **Everyone contributes: Universality of (I)NDCs**
  - **adaptation/mitigation, variable format, metrics, gases, GWP, coverage, single/multi year, peaking**





- 2/1.5C
- Peaking
- Net-Zero



# Article 6 „Voluntary Cooperation“

**6.1: Recognition that some Parties choose to pursue voluntary cooperation in the implementation of their NDCs to allow for higher ambition in mitigation and adaptation actions and to promote sustainable development and environmental integrity**



# Art. 6.2-6.3 Cooperative Approaches

- **Voluntary cooperative approaches that involve use of ITMOs towards NDCs**
  - Promote sustainable development
  - Ensure environmental integrity and transparency (incl. governance)
  - Robust accounting to ensure: avoidance of double counting consistent with guidance
- *Only between Parties - not a commodity to trade ?*
- *Units derived from NDCs? - How to avoid hot air?*
- *Centralized rules?*

# Art. 6.4-6.6 SDM

- **Mechanism to contribute to the mitigation of GHG and support sustainable development (SDM)**
  - Voluntary
  - Promote GHG mitigation; foster sustainable development
  - Incentivize and facilitate participation by public and private entities authorized by a Party
  - Contribute to reduction of emission levels in host Party
  - resulting in emission reductions that can also be used by another Party to fulfil its nationally determined contribution
  - Overall mitigation
  - Share of proceeds
- *Project based, sectoral?*
- *Within or outside of NDCs?*

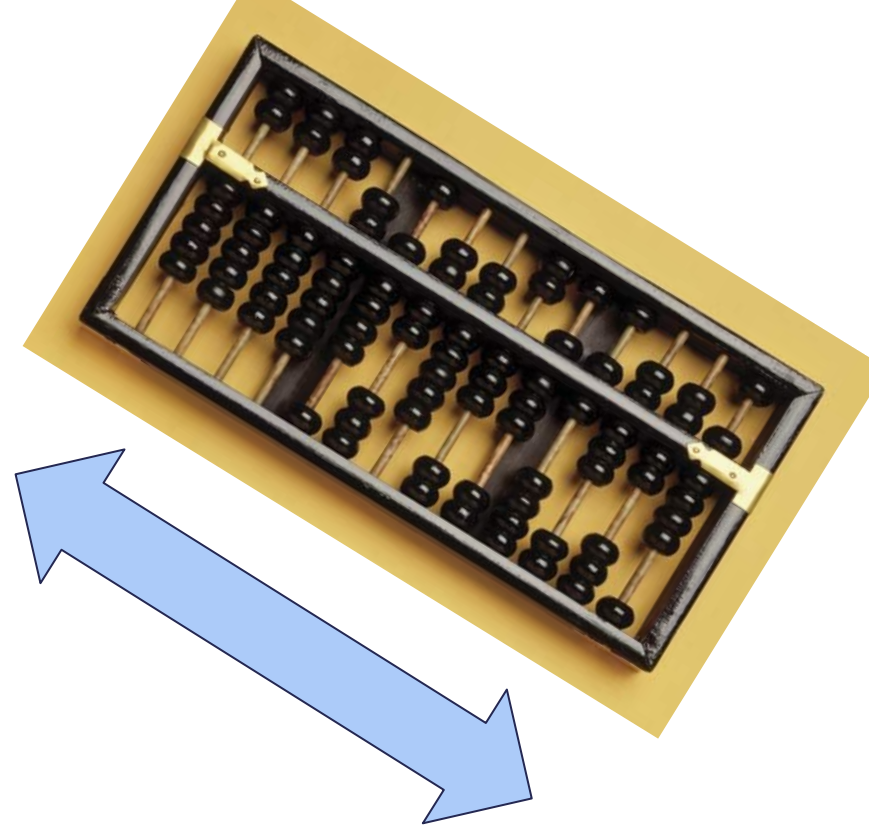
# Paris Accounting



**4.13: “Parties shall account for their nationally determined contributions”**

**6.2: “ensure that double counting is avoided on the basis of a corresponding adjustment by Parties for both anthropogenic emissions by sources and removals by sinks covered by their nationally determined contributions”**

**6.4 “Emission reductions from the mechanism ... shall not be used to demonstrate achievement of the host Party’s NDC if used by another Party to demonstrate achievement of its NDC”**

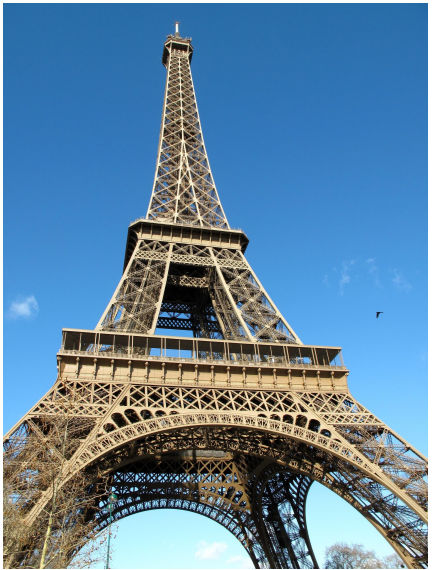


## ICAO - CORSIA Accounting

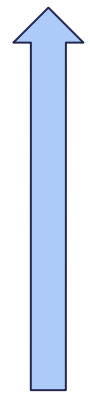
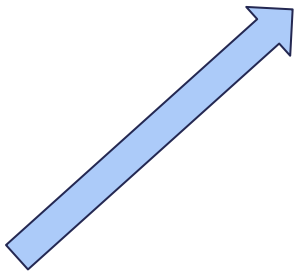


**21. Decides that emissions units generated from mechanisms established under the UNFCCC and the Paris Agreement are eligible for use in CORSIA, provided that they align with decisions by the Council, with the technical contribution of CAEP, including on avoiding double counting...**





- 2/1.5C
- Peaking
- Net-Zero



# Coordinating and moving towards goals...

- **Efforts of all Parties will represent a progression over time**
  - Facilitative Dialog / Global Stocktake
  - Update contributions every five years
  - **Facilitate clarity, transparency and understanding of contributions**
    - enhance mitigation efforts
    - move towards economy-wide emission reduction
    - limitation targets
- **ICAO, IMO, UNFCCC Parties**

# Thank you for your attention

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