



Submission by Austria and the European Commission on behalf of the European Union and its Member States

Views on Accounting – Proposal for a Structured Summary.

Vienna, 05.10.2018

Subject: Views on Accounting – Proposal for a Structured Summary

I. Introduction

Following constructive discussions at Bangkok climate conference in September, the European Union is pleased to submit its views on accounting for NDCs and the tracking of progress for NDCs. This submission should be read together with our previous submissions on NDC guidance under APA.3, modalities, procedures and guidelines for the Enhanced Transparency Framework (APA.5) and on matters related to Article 6 of the Paris Agreement (under SBSTA).

The purpose of this submission is to clarify and elaborate on our proposal for a “structured summary”. **The structured summary is a table that Parties will use to present the key quantitative information necessary to track progress made in implementing and achieving their NDCs.** Parties will use it to report on accounting for their NDCs, including on any use of Article 6. The structured summary will bring together the key information for tracking progress of implementation and achievement of NDCs in a consistent, easily reportable way in the biennial transparency report.

The Paris Agreement and decision 1/CP.21 have mandated the APA and SBSTA to produce guidance related to the following:

- **Article 4.13** of the Paris Agreement, which requires Parties to account for their NDCs and, in accounting for anthropogenic emissions and removals corresponding to their NDCs, to promote environmental integrity, transparency, accuracy, completeness, comparability and consistency, and ensure the avoidance of double counting.
- **Article 6.2** of the Paris Agreement, which requires Parties to apply robust accounting, including the avoidance of double counting where engaging in cooperative approaches that involve the use of internationally transferred mitigation outcomes towards NDCs, noting that accounting guidance under 6.2. applies to 6.4.
- **Article 13.7b** of the Paris Agreement, which requires each Party to provide information necessary to track progress made in implementing and achieving its NDC.

For this to happen, the EU considers the following mandates to be necessary:

- The obligation of Parties to account under **Article 4.13** will be implemented through the use of the structured summary in the biennial reports under Article 13. Guidance for accounting to be adopted under Article 4.13 will apply to accounting related information, including the structured summary.
- Parties using **Article 6** will apply the MPGs and accounting guidance related to Article 4.13 as well as the additional specific guidance being developed under Article 6 discussions in SBSTA.
- The **MPGs related to Article 13.7b** need to specify what information Parties need to provide in a structured summary form in order to track progress towards implementing and in assessing achievement of their NDCs
- In Katowice, **SBSTA must be mandated to develop, after COP 24, tabular reporting formats** to be used for the electronic submission of information under Article 13, including the structured summary

Regarding the **timing of applicability** of the accounting guidance and MPGs:

- Parties shall account for their 1st and subsequent NDCs as required under Article 4.13. They may elect to apply the accounting guidance to their first NDC, and shall apply this guidance from their second and subsequent NDC.
- For the Parties that voluntarily choose to use Article 6 during their first NDC, the EU considers that they shall apply the accounting guidance from their 1st NDC onwards, as well as applying the specific guidance being developed under SBSTA for Article 6.

- Any use of Article 6 can only start once its full guidance is adopted and implemented by the Parties involved.
- MPGs related to Article 13.7b shall apply from the 1st NDC. Therefore, all Parties are to provide the structured summary in order to track progress towards implementing and in assessing achievement of their 1st NDC from their first biennial transparency report.

II. EU structured summary proposal

The concept

The EU proposes that each Party provides in its biennial transparency report (BTR) a structured summary as part of tracking of progress made in implementing and achieving its NDC under Article 13.7b.

The structured summary is a table where Parties report on the quantified components relevant to tracking progress against their NDCs for each year of the implementation period. It would be reported biennially under the enhanced transparency framework, providing a consistent and transparent link between the communication of an NDC, its implementation and its achievement.

Quantified information provided in the structured summary would be complemented by (and consistent with) explanatory information presented in a narrative format in the BTR. For example, this qualitative information can include an explanation of the accounting approaches, metrics and methodologies applied.

The information reported in the structured summary may change due to technical corrections or recalculations resulting from methodological improvements made by a Party over the reporting period. For example, use of new emissions factors could lead to changes of the reference, current and target levels from one BTR to the next. In such cases, this should be reported as part of the BTR.

Views on information to be provided

While the information to be provided to account for and track progress in implementation and achievement of an NDC will be different depending on the content of the NDC and the indicators used to track progress toward it, reporting in terms of emissions and removals remains key, and as a result the information to be provided in the structured summary must include each of the following:

- **Reference level(s)**, GHG emissions & removals corresponding to the NDC in the base year(s) or base period or other quantified reference level(s), and other relevant quantified components, as determined by the NDC;

- **Annual level** for each year of the NDC period until the most recent year the total GHG emissions & removals corresponding to the NDC, and other relevant quantified components, as determined by the NDC, reported from the first year of the NDC until the most recent year for which a GHG inventory information is reported under Article 13(7)(a);
- **Target level(s)**, for example:
 - a calculation of the total net GHG emissions and removals for the final year of the NDC based on the reference level and the targeted reduction if the NDC is expressed as a percentage reduction;
 - values for targets other than the final year: such as targets expressed in form of a budget over a period of years, peaking targets or intermediate targets;
 - values for targets related to other relevant quantified components.

The structured summary would include all quantified components of the NDC, including those expressed in non-GHG terms such as KWh, share of renewables, afforested area etc. Where indicators are derived from two parameters (e.g. GHG emissions per capita), the structured summary should include both parameters.

In cases where a Party's NDC has separate targets (for example if an NDC includes a separate target for the land sector) each target has to be reported and accounted for on its own in the structured summary. In cases where the Party uses specific accounting methodologies for individual sectors or categories, these components must also be reported and accounted for on their own in the structured summary, and complemented by appropriate explanatory information in the BTR.

Adjustments in respect of mitigation outcomes

For Parties using Article 6

The EU is of the view that Parties that voluntarily choose to use **Article 6** must provide in the structured summary, reference, annual and target levels for the anthropogenic emissions by sources and removals by sinks covered by their NDCs **in GHG terms**. This is necessary in order to enable "corresponding adjustment in respect of emissions and removals covered by their NDC" (1/CP.21 §36).

In addition, the structured summary will, for each year of the NDC period, provide for an "adjusted emissions/accounting balance" showing the **corresponding adjustments made, by adding or subtracting** internationally transferred mitigation outcomes to the level of anthropogenic emissions by sources and removals by sinks covered by the NDC.

To avoid double counting with other schemes

Double counting between NDCs and mitigation goals under schemes that contribute to the Paris Agreement goals (e.g. CORSIA) shall also be avoided. In order to avoid double counting, the **requirement to make corresponding adjustments also applies** for mitigation outcomes used towards the goals of such schemes (e.g. use by airlines to meet offsetting obligation under ICAO's CORSIA system).

Annex: Examples of structured summaries

The tables below are provided as examples of what a structured summary table could look like. In practice, the EU considers that development of the format should be decided by Parties under a SBSTA mandate.

A Party would need to complete the parts of the summary table that are applicable to it depending on the contents of its NDC. For example, a Party that does not use Article 6 would not need to complete the rows concerning corresponding adjustment. On the other hand, a Party with multiple targets (GHG and/or non-GHG) may need to complete more rows than those shown here.

Our examples considers the case of two different hypothetical countries where:

Country 1

- has a point year NDC target expressed as a GHG reduction relative to 2005;
- also has an afforestation target (in Mha);

Country 2

- has a multi-year NDC target expressed as a GHG reduction relative to 2005; (in this case, an additional calculation is required (column labelled period value) in order to demonstrate the achievement of the target)
- participates in Article 6 and is hosting mitigation activities used by airlines under CORSIA

Table 1: Example of structured summary for country 1

	Reference type	Target year/period	Unit	Reference level	2021	2022	2023	2024	2025	Target level
Quantified NDC component in terms of GHG emissions (if applicable to NDC)										
Total GHG emissions in scope of NDC	Base year 2005	2025	kt CO2eq							
Other quantified NDC components (if applicable to NDC)										
Total afforested area since base year	Base year 2021	2025	Mio. ha							

Table 2: Example of structured summary for country 2

	Reference type	Target period	Unit	Reference level	2021	2022	2023	2024	2025	Period level	Target level
Quantified NDC component in terms of GHG emissions (if applicable to NDC)											
Total GHG emissions in scope of NDC	Base year 2005	2021-2025	kt CO2eq							Value for period 2021-2025	
Adjustments in respect of mitigation outcomes (if applicable to NDC)											
Adjustment for internationally transferred mitigation outcomes used toward NDCs			kt CO2eq								
Adjustments for mitigation outcomes used towards other schemes			kt CO2eq								
Adjusted Balance (NDC emissions plus/ minus adjustments)			kt CO2eq								