

# Article 6.2: accounting methods for single- and multi-year NDCs

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*based on Lo Re and Vaidyula (2019, draft),*

*Analysing key technical issues for markets negotiations under Article  
6 of the Paris Agreement*

ERCST Glion Meetings  
March 2019

# Outline

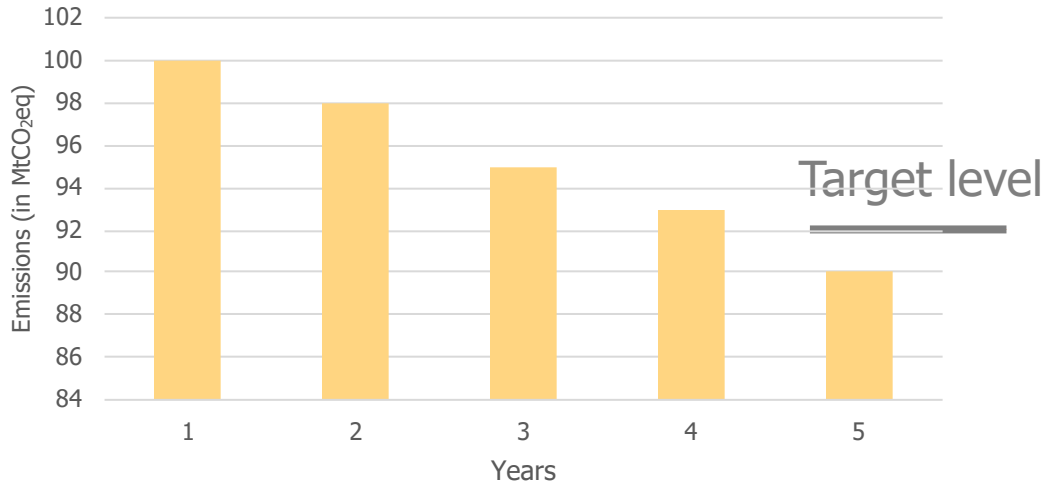
- Different possible accounting methods and their implications
- Different possible scenarios that could influence how Parties trade ITMOs
- Conclusions

# Robust accounting: an important context to understand implications of Article 6.2 accounting

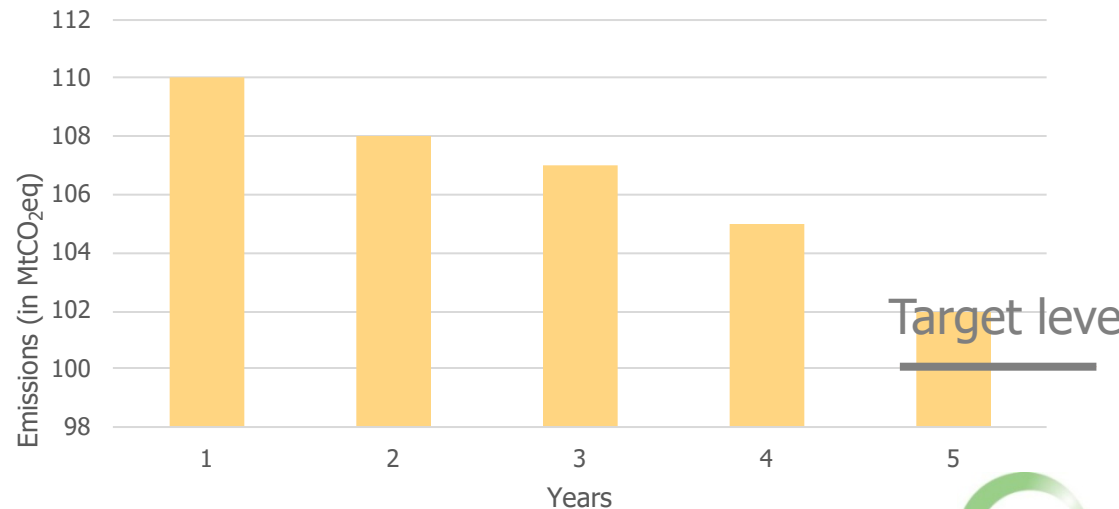
- Participation in Article 6.2 transfers and the resulting accounting exercise :
  - Facilitates the avoidance of double counting
  - Promotes environmental integrity

# Different possible accounting methods

Seller Party



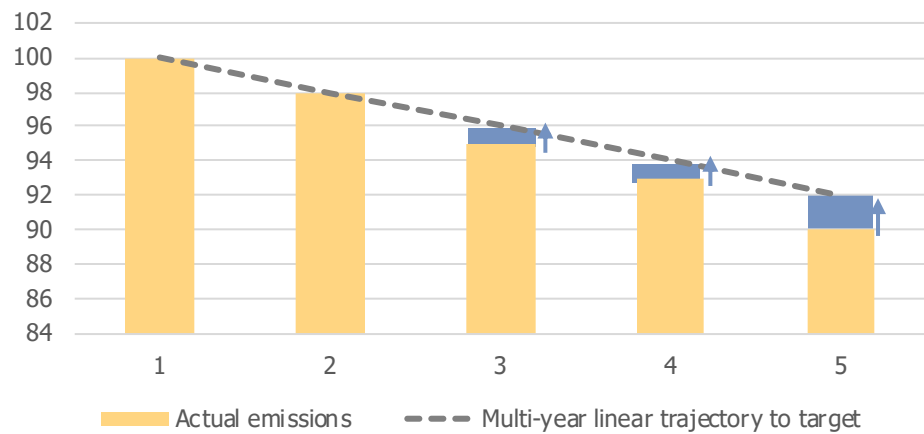
Buyer Party





 Actual emissions

# Adjustments against multi-year trajectory

Seller Party sells ITMOs while being in line with its multi-year trajectory

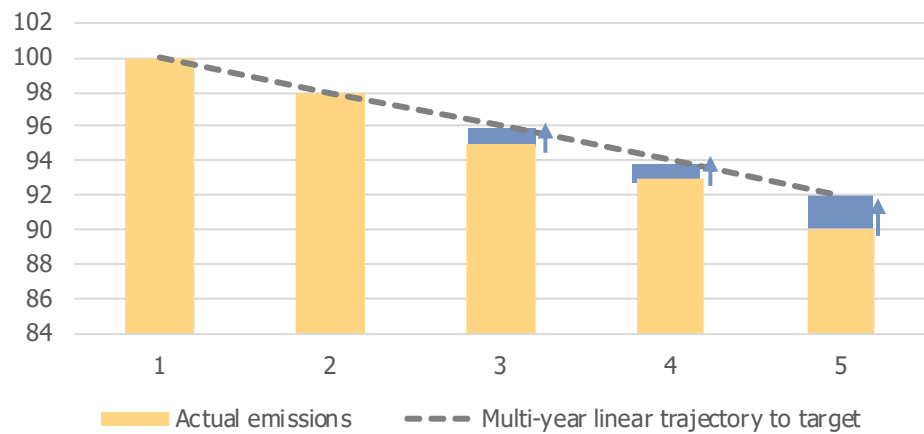



 Actual emissions


 ITMOs-adjusted emissions

# Adjustments against multi-year trajectory

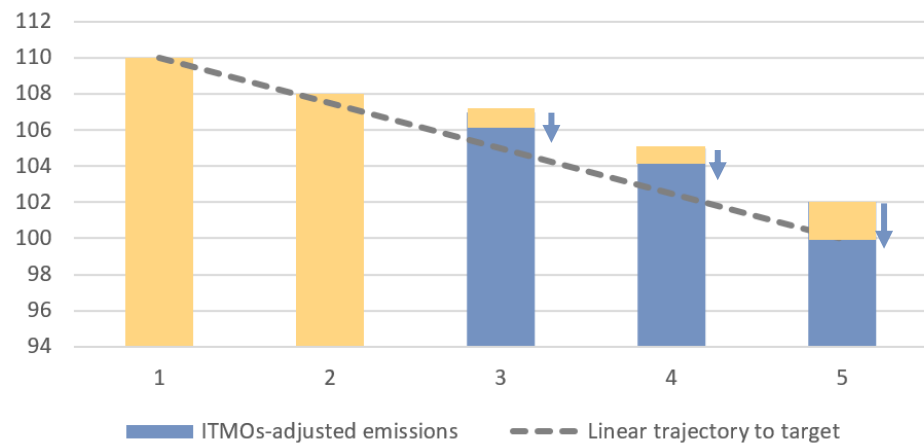
Seller Party sells ITMOs while being in line with its multi-year trajectory



 Actual emissions

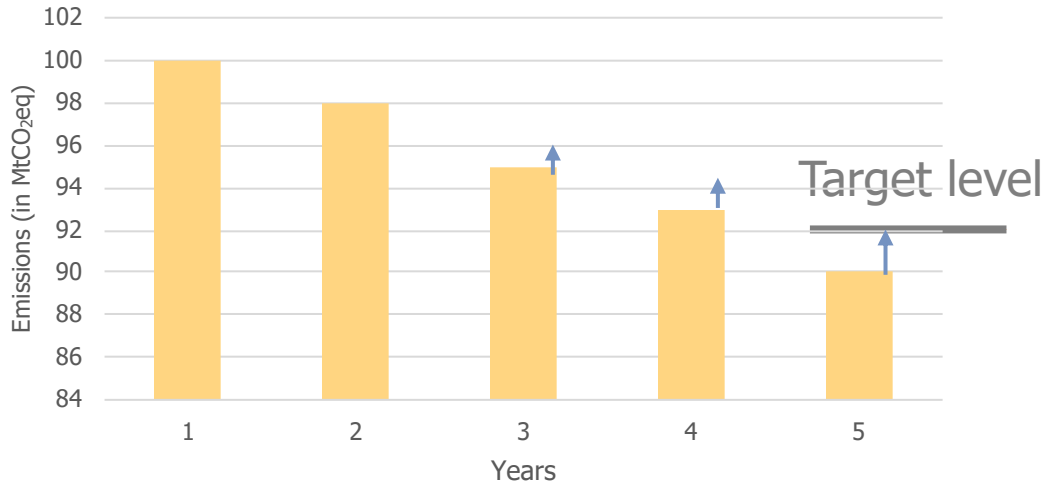
 ITMOs-adjusted emissions

Buying Party acquires ITMOs in Y3, 4 and 5 but would need to buy more ITMOs in Y2, 3, 4




# Different possible accounting methods

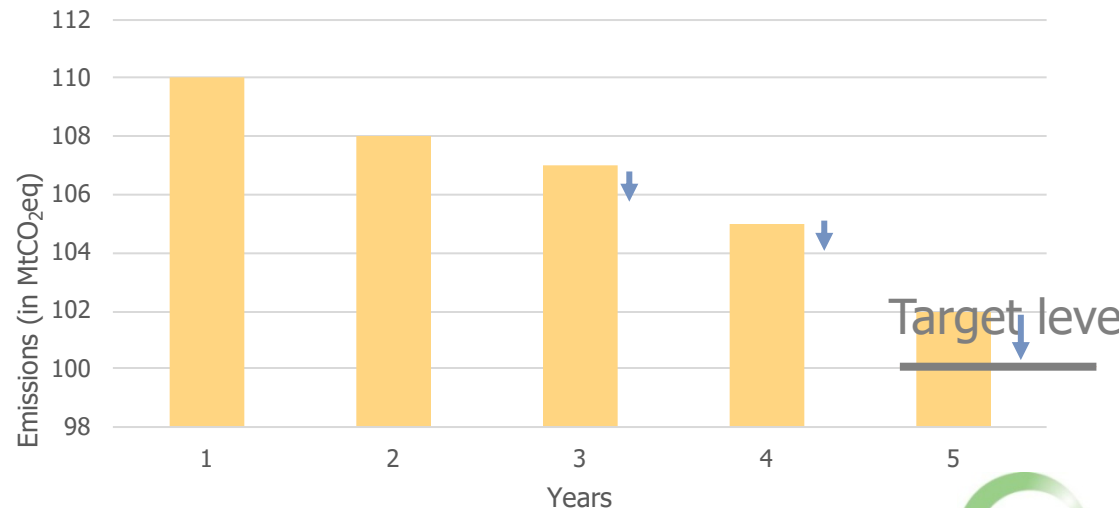
Seller Party



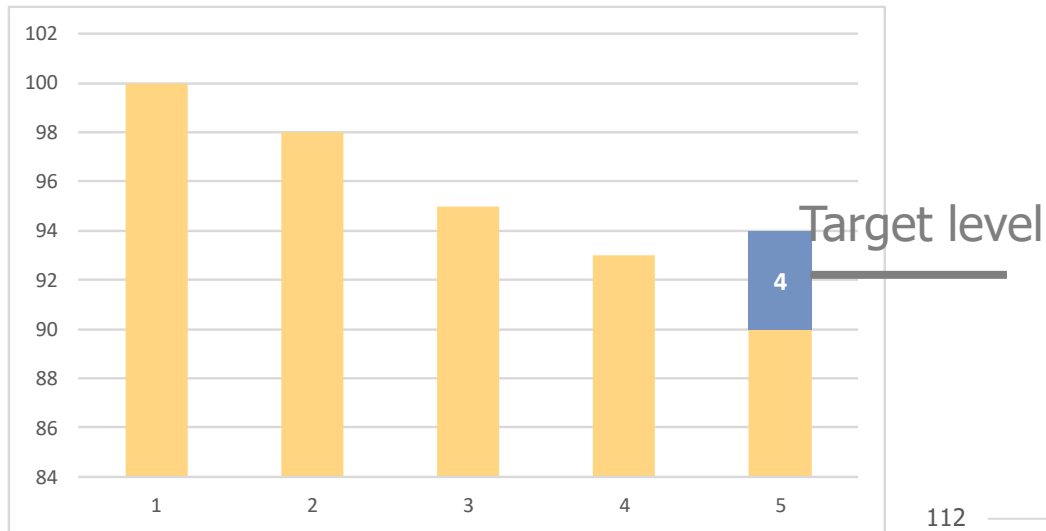
1 Mt, 1Mt, 2Mt ITMOs transferred between Parties in Years 3, 4 and 5


 Actual emissions


Buyer Party

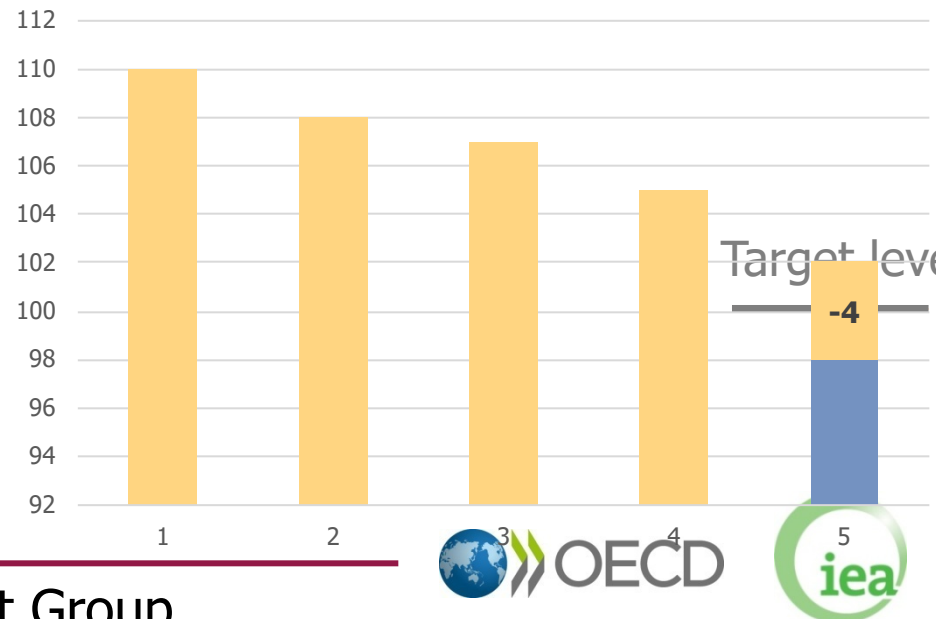


# Cumulative corresponding adjustment



 Actual emissions

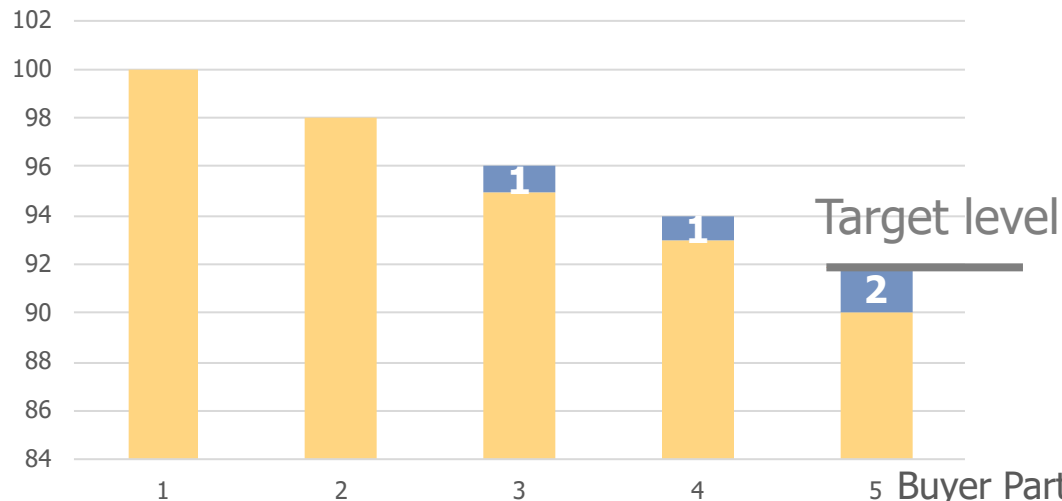
 ITMOs-adjusted emissions





# Yearly corresponding adjustments

Seller Party makes CA in Years 3, 4 and 5





Questions:

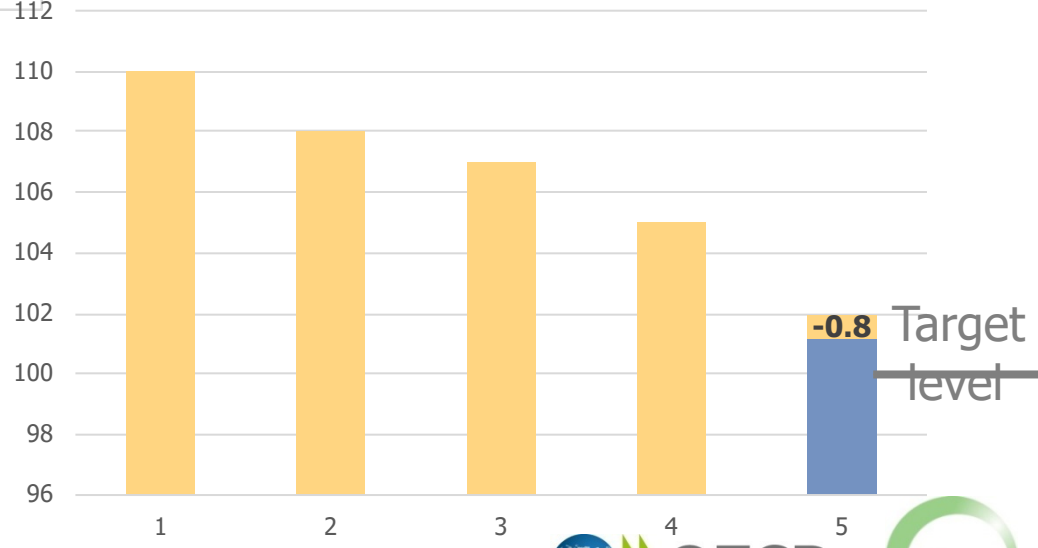
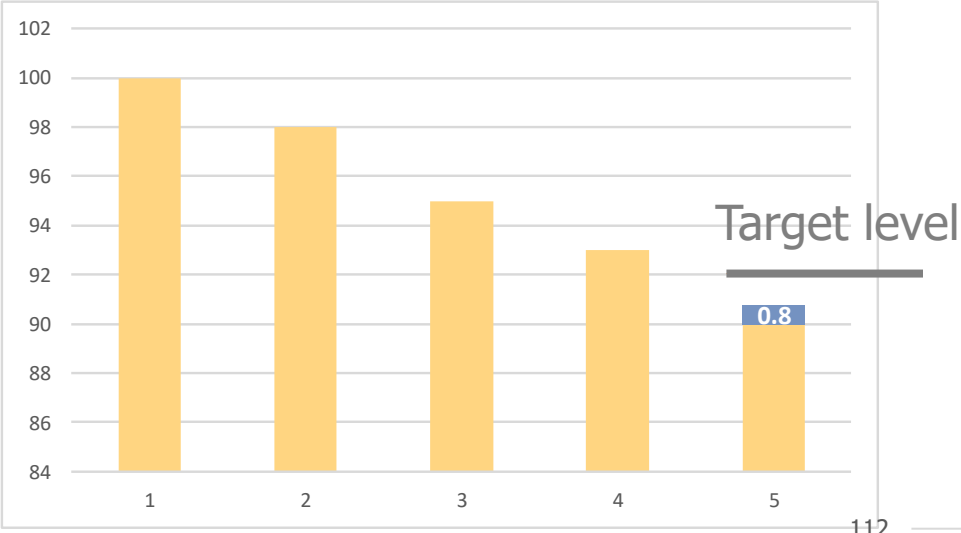
- What amount of ITMOs to account during final NDC accounting for single-year NDCs?
- How to promote environmental integrity?



Buyer Party makes CA in Years 3, 4 and 5



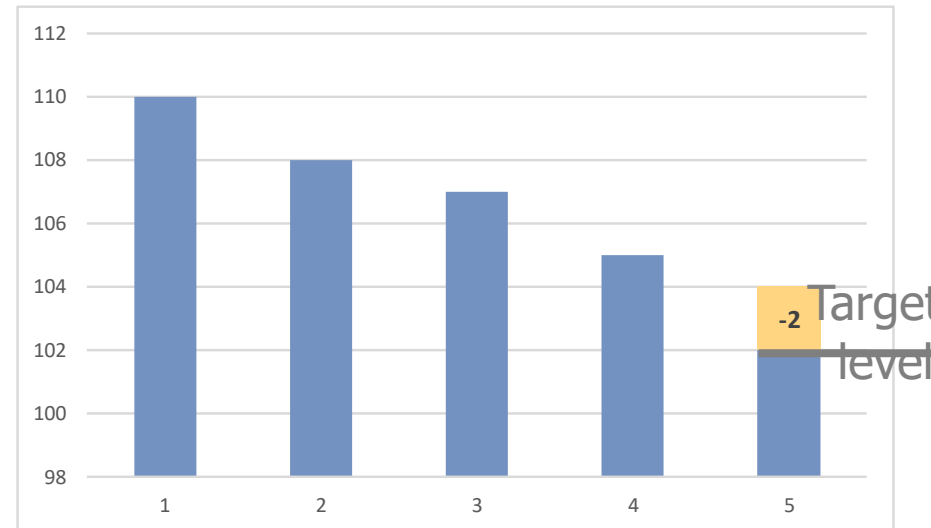
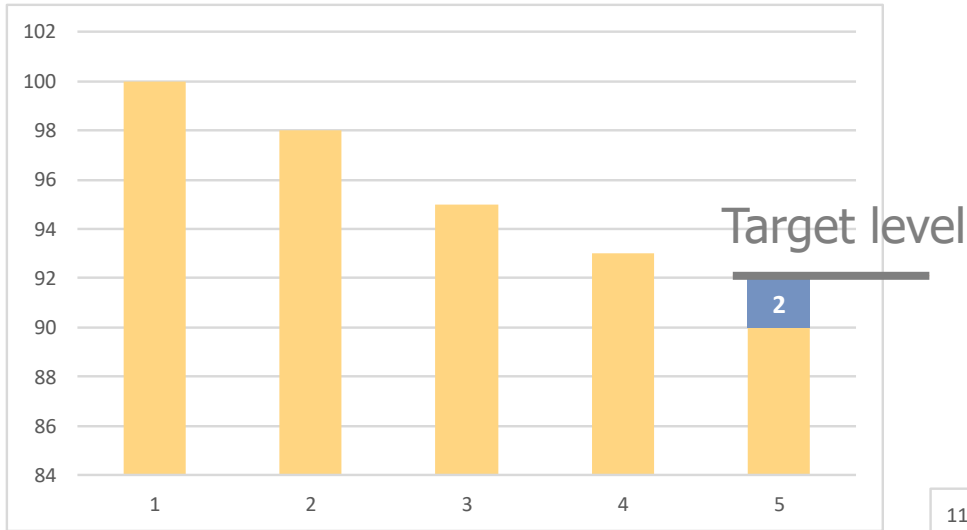
 Actual emissions  
 ITMOs-adjusted emissions


# Averaged corresponding adjustment




 Actual emissions  
 ITMOs-adjusted emissions

# Vintage method: transfers and adjustment in target year only



 Actual emissions

 ITMOs-adjusted emissions

# Choice of accounting method could affect results of NDC accounting...

Accounting method	Did selling Party meet its NDC?	Did buying Party meet its NDC?
Multi-year method	Yes	No
Yearly method	Yes/No	Yes
Averaging method	Yes	No
Cumulative method	No	Yes
Target year only	Yes	Yes

**...and could thus affect whether a Party meets its NDC or not.**

# Three possible scenarios influencing trading between Parties

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- Scenario 1

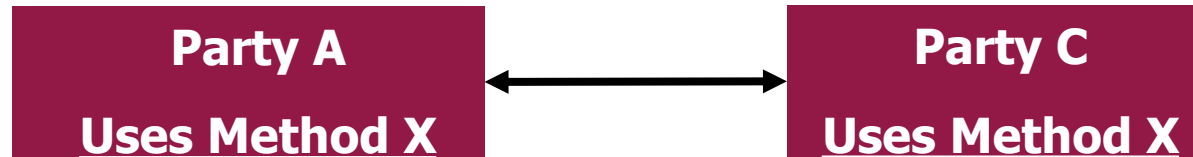


# Three possible scenarios influencing trading between Parties

- Scenario 1



- Scenario 2

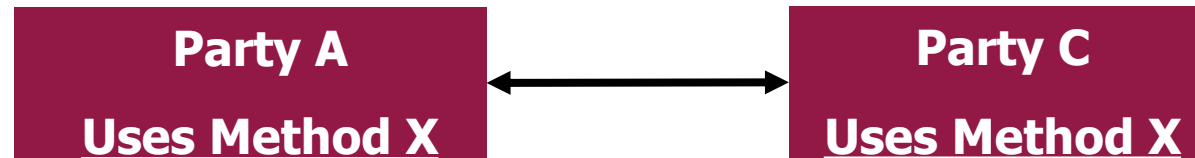


# Three possible scenarios influencing trading between Parties

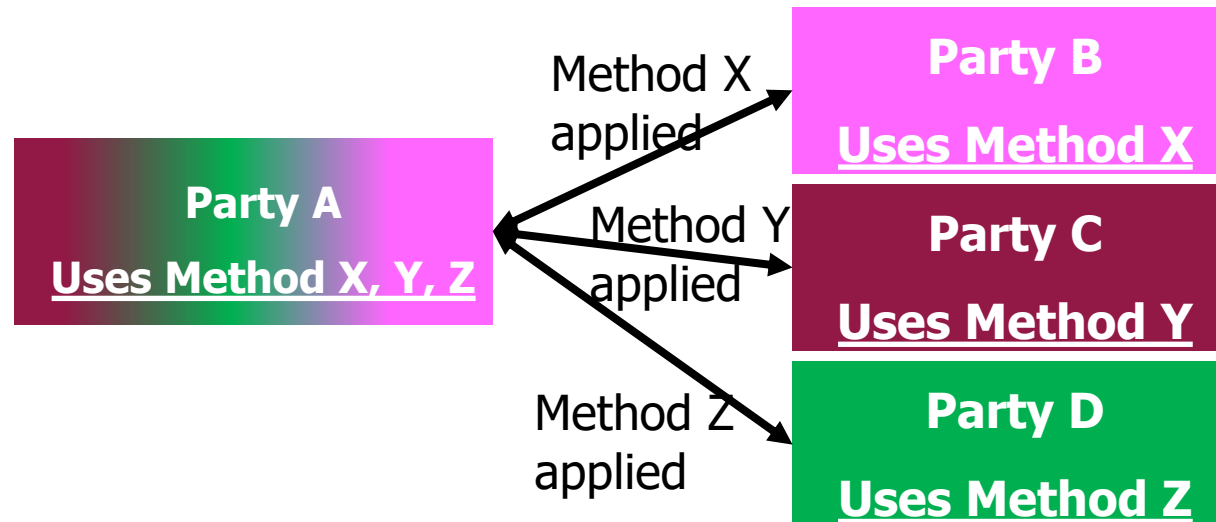
- Scenario 1



- Scenario 2



- Scenario 3





# Conclusions

- Accounting methods differ in how suitable they are for NDC types, national circumstance and in how they promote environmental integrity
- Choice of accounting method affects the NDC accounting results which affects whether Party meets the NDC target or not
- If Parties could choose methods, there are 3 possible scenarios that could influence how Parties trade, each with own important implications

**Thank you!**

**For more information:**

**[www.oecd.org/env/cc/ccxg.htm](http://www.oecd.org/env/cc/ccxg.htm)**

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