

In search of robust accounting rule

Kazuhisa KOAKUTSU
Ministry of the Environment, Japan

30th November, 2019

4 options for CA in the draft text

Option A/B

Multi-year

- Trajectory
- Annual adjustment
- cumulative

Single-year

- Trajectory
- Annual adjustment
- Cumulative
- Average
- Vintage

Participating Parties shall apply the same method consistently throughout the period for NDC implementation.

Option C

If a Party does not identify the method, the following default method applies

Multi-year

- Trajectory
- Annual adjustment

Single-year

- Average

Option D

Corresponding adjustments shall be consistent with and representative of the participating Party's NDC implementation and achievement; that the use of Article 6 does not lead to an increase in emissions in or between the Participating Party's NDC implementation periods; that the Party ensures transparency, accuracy, completeness, consistency and comparability.

Option E

- Quantification of allowable emissions through calculating how many tonnes of CO₂e could be emitted while achieving its NDC;
- Multiplied by the number of years in the NDC, converted into a number of units, each corresponding to one tonne of CO₂e;
- Where that number exceeds the average annual emissions for the years preceding the NDC, as per the last three national inventories, the difference, multiplied by the number of years in the NDC to be reserved for domestic use only;
- The resulting figure represents the quantified NDC.]

Role of trajectory approach

The trajectory approach might be effective when developing emission pathway for achieving NDC, providing transparency for achieving NDC.

However

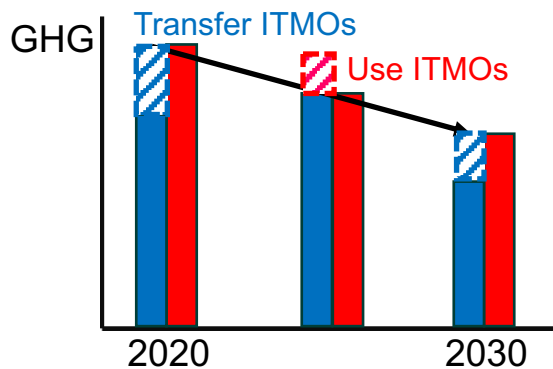
- ◆ It would be difficult for countries with NDCs of BAU, since the absolute emission reduction target is needed to set trajectory.
- ◆ Calculating the annual emission and reporting would be needed for applying CA each year.

Trajectory Approach

Set the annual emission reduction target for each year.



There is no this type of NDCs.



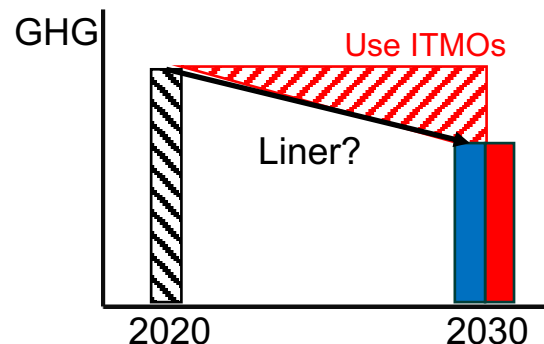
■ Target

Indicative Trajectory

Set the indicative emission reduction target for each year.
(especially for single-year NDC)



Annual report would be needed



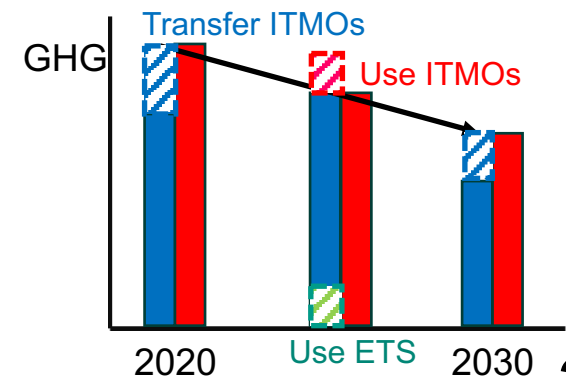
■ Actual

Partial Trajectory

Set the partial emission reduction target for each year.



The rule would be complex.



Example of CA in Single-year NDC

Single-year NDC, same timeframe (2030)

The amount of CA in each approaches are below.

- : Unit acquired, + : Unit transferred, ■ : NDC target year

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Country A (acquire)	-2	-4	-6	-7	-2	-1	-0	-5	-3	-1	-29
Country B (transfer)	+2	+4	+6	+7	+2	+1	+0	+5	+3	+1	+29
CA option											
Country A (acquire)											
Cumulative	-	-	-	-	-	-	-	-	-	-29	
Average	-	-	-	-	-	-	-	-	-	-2.9	
Vintage	-	-	-	-	-	-	-	-	-	-1	
Country B (transfer)											
Cumulative	-	-	-	-	-	-	-	-	-	+29	
Average	-	-	-	-	-	-	-	-	-	+2.9	
Vintage	-	-	-	-	-	-	-	-	-	+1	

The same approach can prevent double counting.

Single-year NDC, same timeframe (2030)

There might be the risk of double-counting if different approach applied.

The amount of acquired unit		Cumulative	Average	Vintage
Country A (acquire)		-29	-2.9	-1
Country B (transfer)		+29	+2.9	+1
The amount of CA		Country A (acquire)		
		Cumulative (-29)	Average (-2.9)	Vintage (-1)
Country B (transfer)	Cumulative (+29)	No double counting	Not increase in emission	Not increase in emission
	Average (+2.9)	Double counting	No double counting	May double counting*
	Vintage (+1)	Double counting	May double counting*	No double counting

※ : the combination of average-vintage might be double counting or conservative by the amount of CA in each approach

Example of CA in Multi-year NDC

Single-year NDC and multi-year NDC, same timeframe (2030)

The year applied CA will be different between multi-year NDC and the single-year NDC. The consistency with and representative of NDCs implementation are important.

- : Unit acquired, + : Unit transferred, ■ : NDC target year

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Country A (acquire)	-2	-4	-6	-7	-2	-1	+0	-5	-3	-1	-29
Country B (transfer)	+2	+4	+6	+7	+2	+1	+0	+5	+3	+1	+29
CA option											
Country A (acquire)											
Cumulative	-	-	-	-	-	-	-	-	-	-29	-29
Average	-	-	-	-	-	-	-	-	-	-2.9	-2.9
Vintage	-	-	-	-	-	-	-	-	-	-1	-1
Country B (transfer)											
Annual adjustment	+2	+4	+6	+7	+2	+1	0	+5	+3	+1	+29
Cumulative*	-	-	-	-	-	-	-	-	-	+29	+29

※Applying a corresponding adjustment at the end of the NDC period for the total amount of ITMOs first transferred and used, or transferred and acquired over the period of the NDC implementation

Average is consistent with and representative of NDCs

In the country with single-year NDCs, only the average will be consistent with and representative of NDC implementation.

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Country A (acquire)	-2	-4	-6	-7	-2	-1	+0	-5	-3	-1	-29
Country B (transfer)	+2	+4	+6	+7	+2	+1	+0	+5	+3	+1	+29
CA option											
Country A (acquire)											
Cumulative	-	-	-	-	-	-	-	-	-	-29	-29
Average	-	-	-	-	-	-	-	-	-	-2.9	-2.9
Vintage	-	-	-	-	-	-	-	-	-	-1	-1

Cumulative :

is not consistent with the period of NDCs.

Average :

can reflect the amount acquired / transferred during the period of NDC and be consistent with NDC implementation.

Vintage :

does not take into acquired / transferred amount in other years.

Annual adjustment is consistent with and representative of NDCs

In the country with multi-year NDCs, only the annual adjustment will be consistent with and representative of NDC implementation.

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Country A (acquire)	-2	-4	-6	-7	-2	-1	+0	-5	-3	-1	-29
Country B (transfer)	+2	+4	+6	+7	+2	+1	+0	+5	+3	+1	+29
CA option											
Country B (transfer)											
Annual adjustment	+2	+4	+6	+7	+2	+1	0	+5	+3	+1	+29
Cumulative*	-	-	-	-	-	-	-	-	-	+29	+29

Annual adjustment :

can reflect the amount acquired / transferred during the period of NDC and be consistent with NDC implementation.

Cumulative :

is not consistent with the period of NDCs.

Example of CA in different timeframe

Single-year NDC, different timeframe (2030, 2025)

The amount of CA in each approaches are below.

- : Unit acquired, + : Unit transferred, ■ : NDC target year

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Country A (acquire)	-2	-4	-6	-7	-2	-1	0	-5	-3	-1
Country B (transfer)	+2	+4	+6	+7	+2	+1	0	+5	+3	+1
CA option										
Country A (acquire)										
Cumulative	-	-	-	-	-	-	-	-	-	-29
Average	-	-	-	-	-	-	-	-	-	-2.9
Vintage	-	-	-	-	-	-	-	-	-	-1
Country B (transfer)										
Cumulative	-	-	-	-	+21	/	/	/	/	/
Average	-	-	-	-	+4.2	/	/	/	/	/
Vintage	-	-	-	-	+2	/	/	/	/	/

Preventing double counting in different timeframe

Single-year NDC, different timeframe (2030, 2025)

There might be the risk of double counting in the different timeframe, even if both countries apply the same approach.

However

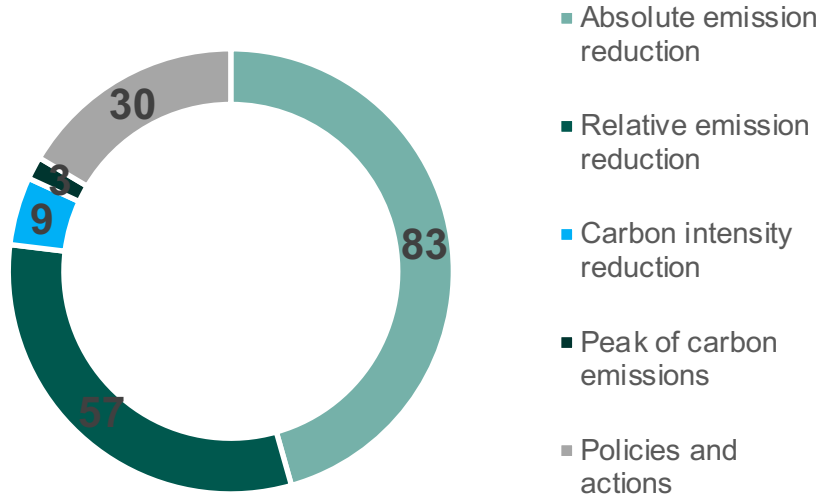
If the amount of CA applied to the acquired country is less than the amount of CA applied to the transfer country, there might be no double counting.

The amount of acquired unit		Cumulative	Average	Vintage
Country A (acquire)		-29	-2.9	-1
Country B (transfer)		+21	+4.2	+2
The amount of CA available for acquired country A		Country A (acquire)		
		Cumulative (-29)	Average (-2.9)	Vintage (-1)
Country B (transfer)	Cumulative (+21)	21 ≥	21 ≥	21 ≥
	Average (+4.2)	4.2 ≥	2.9 ≥	1 ≥
	Vintage (+2)	2 ≥	2 ≥	1 ≥

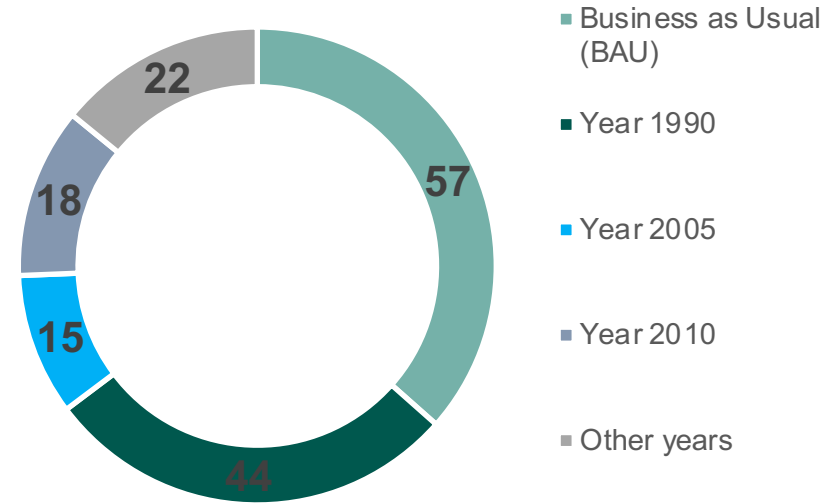
There are many types of NDCs

Source : IGES NDC database

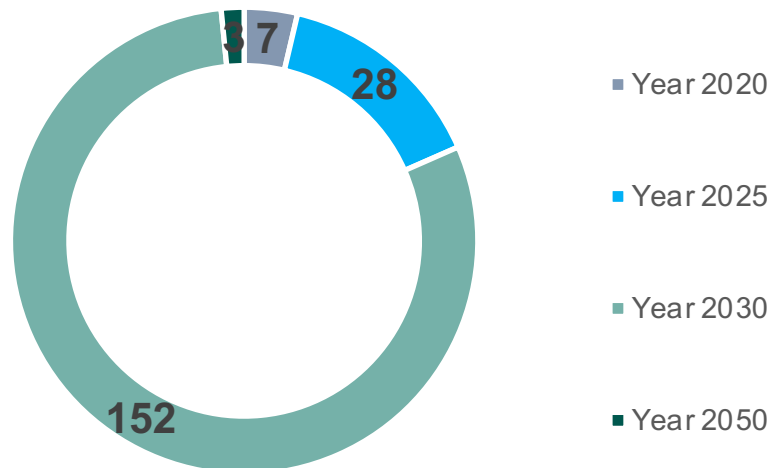
Types of Mitigation Targets in NDCs



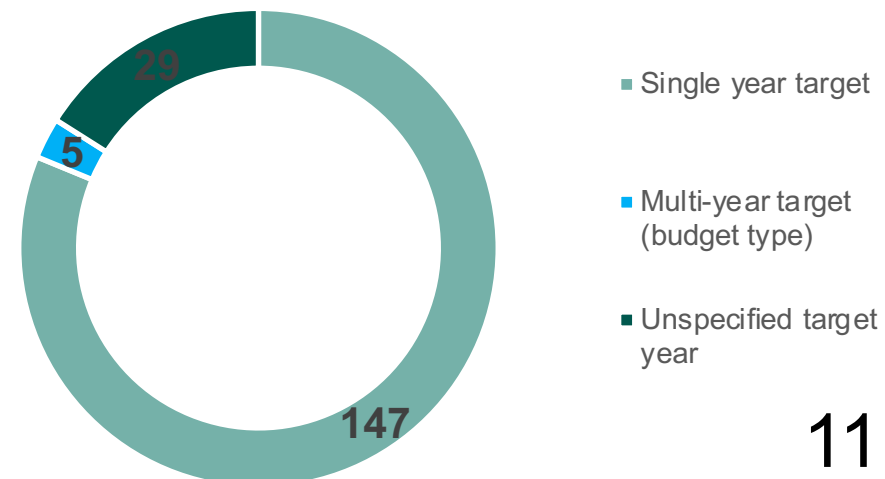
Baselines used for Mitigation Pledges



Target years of Mitigation



Type of Target Year



We need practical rule for CA

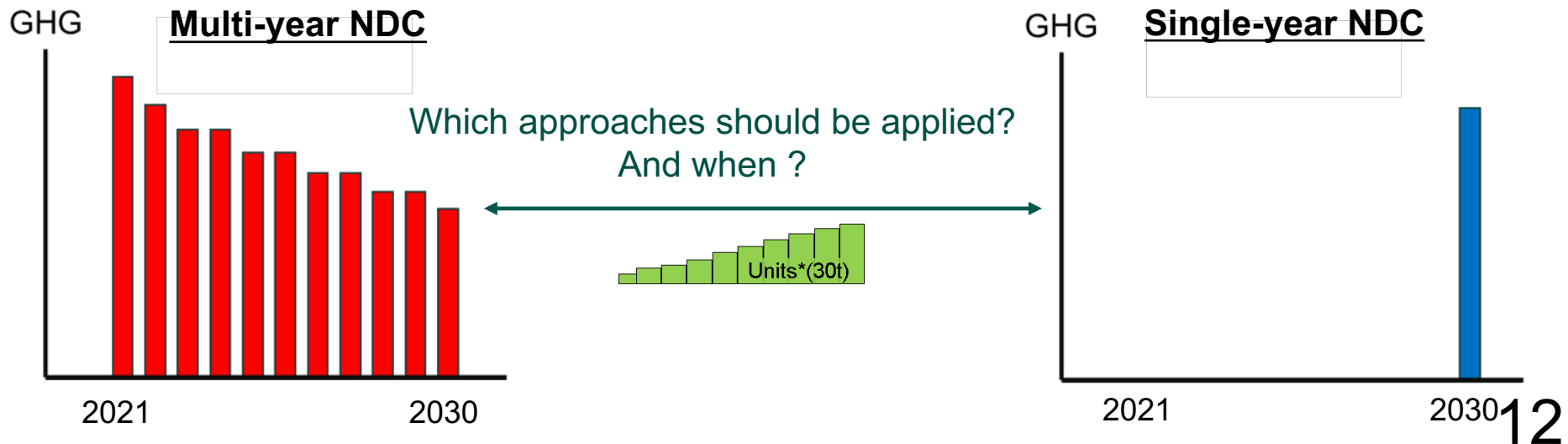
Option D

Corresponding adjustments shall be consistent with and representative of the participating Party's NDC implementation and achievement; **that the use of Article 6 does not lead to an increase in emissions in or between the Participating Party's NDC implementation periods**; that the Party ensures transparency, accuracy, completeness, consistency and comparability.

This principle is important for application of CA.

However

The guidance needs to provide practical options for CA.



The perfect is the enemy of the good (Voltaire)

■ CA for single-single

To prevent double counting, each country needs to apply the same approach, or the transferring country needs to apply the cumulative approach for CA.

■ CA for multi-single

The average for single-year NDCs and the annual adjustment for multi-year NDCs will be options that is consistent with and representative of NDC implementation.

■ “Paring” (parties apply the same approach)

It is preferable to apply the same approach between the participating countries. If different approach is applied, It would be required not to lead to an increase in emissions.

■ Timeframe

It is preferable to apply same timeframe between the participating countries. If different timeframe is applied, the amount of CA for acquiring country should be less than that of transferring country.

Proposed text reflecting important points

<draft text>

9.

Each participating Party shall apply the following principles when selecting a method for corresponding adjustment from the methods in this section: that corresponding adjustments shall be consistent with and representative of the participating Party's NDC implementation and achievement; that the use of Article 6 does not lead to an increase in emissions in or between the Participating Party's NDC implementation periods; that the Party ensures transparency, accuracy, completeness, consistency and comparability.

10.

Each participating Party that has a multi-year NDC shall apply one of the following methods consistently throughout its period for NDC implementation:

- a. Calculating a multi-year emissions trajectory for the period for NDC implementation that is consistent with the NDC, and applying a corresponding adjustment for each year covered by this emissions trajectory for the total amount of ITMOs first transferred and used, or transferred and acquired over the NDC implementation period;
- b. Applying a corresponding adjustment for each year in the period for NDC implementation;
- c. Applying a corresponding adjustment at the end of the NDC period for the total amount of ITMOs first transferred and used, or transferred and acquired over the period of the NDC implementation.

11.

Each participating Party that has a single-year NDC shall apply, in order to make the corresponding adjustments in the NDC year consistent with and representative of NDC implementation and achievement, one of the following methods consistently throughout the period for NDC implementation:

- a. The method referred to in paragraph 9(a) above;;
- b. The method referred to in paragraph 9(b) above;
- c. The method referred to in paragraph 9(c) above, where both participating Parties apply this method for the cooperative approach;
- d. Calculating the average annual amount of ITMOs first transferred and used, or transferred and acquired over the period of the NDC implementation and applying a corresponding adjustment equal to this average amount for the NDC year;
- e. The Party may only first transfer or transfer consistent with this section, ITMOs that are of the same vintage as the Party's single year NDC and/or only acquire or use ITMOs that are of the same vintage as the Party's single-year NDC.

Proposed text reflecting important points

<draft text>

12.

When corresponding adjustment is made between participating Parties that have multi-year NDCs or between participating Parties that have single-year NDCs, participating Parties that make such a corresponding adjustment shall apply the same method consistently throughout the period for NDC implementation.

13.

When corresponding adjustment is made between a participating Party that has a multi-year NDC and a participating Party that has a single-year NDC, each participating Party shall apply, in order to make the corresponding adjustments in the NDC year consistent with and representative of NDC implementation and achievement, each of the following method respectively, consistently throughout the period for NDC implementation:

- a. The participating Party that has a multi-year NDC: The method referred to in paragraph 9(c) above; or
- b. The participating Party that has a single-year NDC: The method referred to in paragraph 11(d) above;

14.

If a Party does not identify the method for corresponding adjustments from the methods in this section in its initial report pursuant to section V.A (initial report), the following default method applies consistently throughout the NDC implementation period:

- a. For a multi-year NDC, calculating a multi-year emissions trajectory for the period for NDC implementation that is consistent with the NDC, and applying a corresponding adjustment for the total amount of ITMOs first transferred and used, or transferred and acquired, for each year in the NDC implementation period;
- b. For a single year NDC, calculating the average annual amount of ITMOs first transferred and used, or transferred and acquired over the period of the NDC implementation period and applying a corresponding adjustment equal to this average amount for the NDC year.

15.

Each participating Party shall report its corresponding adjustments pursuant to section V below (Reporting) and record the corresponding adjustments in the Article 6 database pursuant to section VII below (Recording of corresponding adjustments).