

Article 6.4 corresponding adjustments

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Needs to address what do we mean by outside of NDC

【 A.6.4 】

- ◆ Version 2 : Applying CA for both inside and outside of NDC
- ◆ Version 3 : Not applying CA for outside of NDC
- ◆ In paragraph 41 and 52, host country decide to apply CA for A6.4 ER or not.

- To determine applying a CA for outside of NDC or not, it would be helpful to understand **how much 6.4ERs will be issued from outside of NDC.**
- To estimate the amount of 6.4ERs from outside of NDC, it is needed to understand **what is the outside of NDC.**

Definition of outside NDC

Draft Text Version 3

“A6.4ERs from sectors and greenhouse gases (among others) not covered by its NDC”

Gas / Sector / (among others) ?

Gases

- ◆ Comparing descriptions about target gases in NDC and CDM project database, the amount of 6.4ER outside of NDCs can be estimated.
- ◆ It would be easy to estimate the amount of 6.4ER outside of NDCs, if all parties agree that NDC coverages are determined by gases, which is not complete in the current NDCs submitted.

Potential Supply of 6.4ER

(Mt-CO₂)

Gases	Target in NDC	2021-2023	2021-2025	2021-2030
CH ₄	○	373	374	374
CO ₂	○	3,507	3,531	3,533
HFCs	○	488	488	488
N ₂ O	×	334	334	334
PFCs	×	30	35	45
NF ₃	×	2	2	2
Inside of NDC		4,368	4,393	4,395
Outside of NDC		366	371	331
Total		4,734	4,739	4,749

Sectors

◆ Comparing descriptions about target sectors in the NDCs and CDM data, the amount of 6.4ER outside of NDCs can be estimated.

◆ It would be also easy to estimate the amount of 6.4ER outside of NDCs, if all parties agree that sectors in their own NDC, which is not complete in the current NDCs submitted.

Potential Supply of 6.4ER

(Mt-CO₂)

Sector	Target in NDC	2021-2023	2021-2025	2021-2030
Agriculture	○	7	7	7
Energy	○	3,745	3,770	3,771
IPPU	○	833	833	833
LULUCF	×	2	3	3
Others	×	2	2	2
Waste	×	114	114	114
Inside of NDC		4,585	4,610	4,611
Outside of NDC		118	120	116
Total		4,704	4,730	4,731

How to enhance our understanding on the inside / outside of NDC

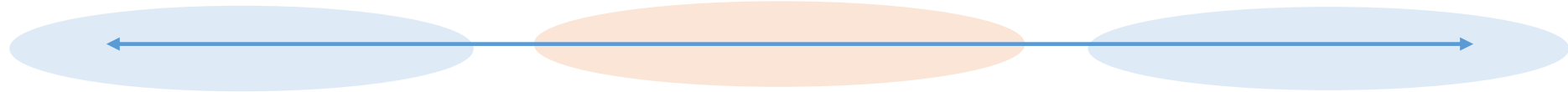
- ◆ How to determine the inside / outside of NDC to apply corresponding adjustment ?
- ◆ What will be the basis to enhance our understanding on inside / outside of NDC to keep transparency ?

This area needs to be elaborated further.



International

National



(1) Inside / outside of NDC is determined internationally, according to descriptions about target gases and sectors in NDCs.

(2) Enhancing understanding on inside / outside of NDCs according to current situation.

(3) Inside / outside of NDC is determined nationally.

- It is difficult to determine which is the outside of NDC, because description of the NDC coverage for sectors and gases are not clear in some NDCs.

Example. NDC target in Japan

A reduction of 26.0% by its fiscal year (FY) 2030 compared to FY2013

Scope (Sectors, Gases, Coverage)

- Sectors : All sectors and categories
- Gases : CO₂, CH₄, N₂O, HFCs, SF₆, and NF₃
- Coverage : 100%

Example. Other case

- To achieve the peaking of carbon dioxide emissions around 2030 and making best efforts to peak early;
- To lower carbon dioxide emissions per unit of GDP by 60% to 65% from the 2005 level;
- To increase the share of non-fossil fuels in primary energy consumption to around 20%; and
- To increase the forest stock volume by around 4.5 billion cubic meters on the 2005 level.

➤ Inside of NDC can also be described through policy and measures in NDC.

Example) POLICIES AND MEASURES in NDC

- To phase down the production and consumption of HCFC-22 for controlled uses, with its production to be reduced by 35% from the 2010 level by 2020, and by 67.5% by 2025 and to achieve effective control on emissions of HFC-23 by 2020;
⇒ Gases : HFC
- To control methane emissions from rice fields and nitrous oxide emissions from farmland;
⇒ Gases : CH₄
- To control methane emissions from rice fields and nitrous oxide emissions from farmland;
⇒ Gases : N₂O
- Controlling Emissions from Building and Transportation Sectors
⇒ Sectors : Transportation, Building

Inside / Outside of NDC

- Reporting by Party such as BUR can also provide meaningful information about how it related to the achievement of NDC

Example) Mitigation actions in BUR

- National Plan for Low Carbon Emission in Agriculture
Increase the area under sustainable production systems ensuring the reduction of GHG emissions.
Gases: CH₄, N₂O, CO₂ ⇒ Gases : CH₄, N₂O, CO₂
Sector: Agriculture ⇒ Sectors : Agriculture
- Alternative Energy Sources
Increased installed capacity in solar, wind and biomass sources in the national energy mix.
Gases: CO₂eq ⇒ Gases : CO₂
Sector: Energy ⇒ Sectors : Energy (solar, wind, biomass)

Estimation of potential supply of CERs from outside of NDC

- Comparing project types in CDM with descriptions of NDC (and BUR), could enable more understanding on the relation to NDC.

(1)NDC

- To phase down the production and consumption of HCFC-22 for controlled uses, with its production to be reduced by 35% from the 2010 level by 2020, and by 67.5% by 2025 and to achieve effective control on emissions of HFC-23 by 2020;

⇒ Gases : HFC

(2)BUR

- Alternative Energy Sources

Increased installed capacity in solar, wind and biomass sources in the national energy mix.

Gases: CO₂eq

⇒ Gases : CO₂

Sector: Energy

⇒ Sectors : Energy
(solar, wind, biomass)

Project types in CDM

HFC reduction/avoidance	(1)
N ₂ O decomposition	
PFC reduction and substitution	
Transportation	
Afforestation & reforestation	
Hydro power	
Other renewable energies	
Fuel switch	
Biomass	(2)
Wind power	(2)
PV	(2)
Cement	
Biogas	
Methane avoidance	
Methane recovery & utilization	
Energy efficiency	
Waste gas/heat utilization	
SF ₆ replacement	
Leak reduction	
Material use	
Biofuels	(2)
Others	9

Understanding the potential amount of ERs outside NDC

Assumptions

- ◆ All the CDM projects with crediting period remained will be transitioned to 6.4 mechanism.
- ◆ All the transitioned projects will renew their crediting period (assuming 7 year crediting period)

Calculations

- ◆ Calculating A6.4 ERs potentially outside of NDC coverage
 - ◆ From 2021-2023
 - ◆ From 2023 to 2025 (this could be updated)
 - ◆ From 2025 to 2030 (this could be updated)

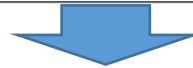
Type of CDM Project	Potential amount of 6.4ERs from current CDM projects 2021~2023			
	Country A			
	NDC		BUR	
	Coverage	A6.4ERs	Coverage	A6.4ERs
HFC reduction/avoidance	●	0	●	0
N2O decomposition		0	●	0
PFC reduction and substitution		103,682		103,682
Transportation	●	1,005,564	●	1,005,564
Afforestation & reforestation	●	140,817	●	140,817
Hydro power	●	12,459,359	●	12,459,359
Other renewable energies	●	0	●	0
Fuel switch	●	285,029	●	285,029
Biomass	●	189,554	●	189,554
Wind power	●	6,550,122	●	6,550,122
PV	●	612,126	●	612,126
Cement		423,312		423,312
Biogas	●	237,281	●	237,281
Methane avoidance		871,249	●	871,249
Methane recovery & utilization	●	4,349,743	●	4,349,743
Energy efficiency	●	6,808,693	●	6,808,693
Waste gas/heat utilization	●	1,833,859		1,833,859
SF6 replacement		0		0
Leak reduction		0		0
Material use		0		0
Biofuels		0		0
Others		0		0
Total	100%	35,870,390	100%	35,870,390
Inside	96%	34,472,145	93%	33,509,536
Outside	4%	1,398,244	7%	2,360,853

Ways to Address outside NDC through Reporting and Authorization

◆ Party shall describe which gases, sectors and others are covered by their NDCs in their initial report.

[Further consideration]

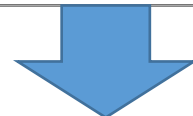
- What reporting requirement and format in the initial report would be more appropriate in this regard?



◆ Party shall also update their coverage of NDC in BTR after 2024

[Further consideration]

- What reporting guidance would be more appropriate in this regard?



◆ Party shall provide the authorization for A6.4 ERs issued and statement as to whether a CA will be applied by the host Party

◆ The mechanism registry shall identify issued A6.4 ERs that are authorized by host Party in accordance with the host Party's approval

[Further consideration]

- Can we also consider this authorization and identification in the registry to be linked with outside NDC treatment?

- ◆ **NDC inside / outside is not a binary question.**
- ◆ **6.4 accounting rule may need to be developed in a way to accommodate top-down and bottom-up nature of the Paris Agreement**
- ◆ **We need to develop international rules and system where we know which gases and sectors (among others) are inside or outside of NDC thereby an corresponding adjustment will be applied or not be applied in a transparent manner.**