

How to avoid double counting and make ITMOs count: Environmental Integrity & Carbon Market Value

Jos Cozijnsen

IETA/IEA/EPRI Workshop

Paris, 6-7 November 2018

Takeaways

- We describe steps to avoid double counting with each unit/credit/reduction/ITMO transfer
- We defined 4 types of arrangements to generate quantified ITMOs in tons of CO₂
- Options make clear what rules are needed to enable arrangement
- Early reporting → Early generation of ITMOs
- Note: Corresponding Adjustment is essential to give credits/units a carbon market value as ITMO (fit for compliance)

To Avoid Double Counting Of Emissions Reductions under the Paris Agreement

Transfer Type	Steps Needed
NDC → NDC	Host Party accounts for the transfer by recording and reporting at least every two years, in an account based on its NDC-relevant inventory, the addition of a corresponding amount of emissions.
*Non-NDC → NDC	Host Party demonstrates robust baselines and accounts for the transfer by recording and reporting at least every two years, in an account based on its NDC-relevant inventory, the addition of a corresponding amount of emissions.
*PA Non-Party Country → NDC/CORSIA	Using Party verifies non-party country applies effectively equivalent procedures to those applied by PA Parties. Host demonstrates robust baselines and accounts for the transfer by recording and reporting at least every two years, in an account based on its inventory, the addition of a corresponding amount of emissions
NDC → CORSIA	Host Party accounts for the transfer by recording and reporting at least every two years, in an account based on its NDC-relevant inventory, the addition of a corresponding amount of emissions.

To Avoid Double Counting *continued*

*Non-NDC → CORSIA	Host Party reports the transfer at least every two years via the PA Article 13.5 framework, and records the addition of a corresponding amount of emissions in an account based on its inventory.
*CDM CERs → NDC	Steps will depend on legal contexts, including, <u>inter alia</u> , time period and sectors of origin of CERs. Further legal steps may be needed, including decisions by KP CMP to authorize use, transfer, and acquisition of CERs outside of KP.
CDM → CORSIA	Steps will depend on legal contexts, including, <u>inter alia</u> , time period and sector of origin of CERs. Further legal steps may be needed, including decisions by KP CMP to authorize use, transfer, and acquisition of CERs outside of KP.
Voluntary units → CORSIA	Steps will depend on legal context, plus time period and sector of origin of units.

Options to create or issue ITMOs to assure compliance and market value

1. Annual ITMO buffer

- ART 6 texts [illustrative hooks]: Para 63 (c) CA for creation of ITMOs; Para 107 holding buffer; Para 80 option C1 same vintage as NDC target year, (without the Option C heading);

2. Ex ante set aside an ITMO budget

- ART 6 texts: para 21 ex ante reporting, para 40-43 emissions based reporting, para 68-70 balance at end of NDC, para 106 not more than x% NDC


3. Present the whole NDC as emissions budget

- Para 42, para 47 etc cumulative ITMOs, calculate quantified NDC, budget based reporting

4. Ex-Post ITMO issuance or ITMO 'call options'

- para 44 ex post reporting, para 40-43 emissions-based reporting, para 68-70 balance at end of NDC period, para 80 option A, ; para 94 registry for issuing ITMO; oversight by a Art 6.2 body in para 22


1. Annual ITMO buffer

- A Party would establish its own ITMO in tons CO₂e.
 - Transacting Parties report their emissions annually.
 - If at the end of year 1 a Party has a positive balance in its ITMO account, it can transfer from its ITMO account.
 - At the end of year 2 Party's ITMO account is checked against its total net emissions to account for any transactions.
 - This approach can be delayed in time: a delayed buffer. Depends of speed of emissions inventories ready.
- 

2. 'Ex ante' set aside an ITMO budget

- A Party would conservatively project its surplus reductions / emissions below NDC trajectory, and establish an ITMO 'set aside' for x% of the estimated surplus ('outcome').
 - Caution: Art 105 sectors with high uncertainty
- The Party issues ITMOs to its account.
- After the NDC period Party's ITMO budget is checked against its total cumulative emissions reduction surplus
- Note: The projections should preferably be peer reviewed, as wrong projections have consequences

3. Present the NDC as emissions budget

- A Party can publish the emissions budget available according to its NDC, and the Party can annually issue expected ITMO after additional reductions.
 - After every year ITMO account is checked against total net emissions
 - Note: The NDC emissions should be reported and reviewed
- 

4. Ex-Post ITMO issuance

Possibly with ITMO 'call option'

- ITMOs are calculated in the true-up period, after each Party's NDC period;
- An ITMO budget is issued based on the performance against the NDC.
- The surplus is issued as ITMOs
- A Party can offer call options for ITMOs. The Party has to wait until it has met its NDC as condition to issue ITMOs. If not, the call option is cancelled

Takeaways

- We describe steps to avoid double counting with each unit/credit/reduction/ITMO transfer
- We defined 4 types of arrangements to generate ITMOs
- Options make clear what rules are needed to enable arrangement
- Early reporting → Early generation of ITMOs
- Note: Corresponding Adjustment is essential to give credits/units a carbon market value as ITMO (fit for compliance)

Resources

- **Handbook:** steps to avoid double counting and legal basis
<https://www.edf.org/sites/default/files/documents/double-counting-handbook.pdf>
- **Table:** steps to avoid double counting and legal basis
https://www.edf.org/sites/default/files/documents/Steps_needed_legal_basis_avoiding_double_counting_2pg_June2018.pdf

Meeting the climate change goals of the Paris Agreement

How to avoid double counting of emissions reductions

The crucial test of the Paris Agreement is whether climate-damaging emissions are going down, or up. International emissions trading can help drive emissions down. But strong rules are needed to ensure traded emission reductions aren't counted twice.

