FRAMEWORK OF VARIOUS APPROACHES

NET AVOIDED EMISSIONS

Fourth meeting of the CCMF Task Force on New Market Mechanisms under the AWG-LCA

How you know Ecuador proposes a new concept “NET AVOIDED EMISSIONS”, the proposal tries to implement a revolutionary transformation in the economies of many developing countries, allowing them to maintain a low level of emissions through the creation of economic incentives that stimulate this kind of performance.

In order to achieve the real concept of net avoided emissions we think that the framework needs to deliver a real contribution to climate change mitigation, building upon their potential to facilitate increased mitigation ambition.

Regarding the work program, we consider that it should envision clarifying the role of the framework as related to the new market mechanism and to non-market approaches in order to avoid overlapping of responsibilities and ensure coherence and efficiency of the institutional arrangements.

The framework of various approaches needs to be under the UNFCC and address the following technical elements in order to ensure activities that represent real mitigation efforts:

a) Crediting thresholds and length of crediting periods.
b) Sector coverage and boundaries.
c) Overlapping between mechanisms.
d) Fungibility and tracking of units.
e) Rules for supplementarity of efforts.
f) Development of pilot schemes, among others.

In the case of activities under the framework should comply with strict, commonly-agreed standards for environmental integrity: standards must be set in order to ensure that new mechanisms are delivering real mitigation outcomes, and may include: rules for permanency; tools for proving Additionality, rules to account for leakage, and contribution to sustainable development.

The role played by the framework should include:

1. Considerations on the standards for environmental integrity of the units to be used for UNFCCC compliance; in the case of our proposal it introduces improvements in the fulfilment of Environmental Integrity criteria through the following conditions:
   - A technical definition of methodologies and approval by verifiers based on lessons learned from the CDM.
   - Ensuring compliance of quality standards through solid institutional arrangements that will assure the operation of the mechanism towards net emissions avoidance with respect to the net level at sector scale, nationally and globally simultaneously.
   - Avoidance of emission of GHG to the atmosphere, that without NAE would have been generated and accumulated, contributing to climate change.
2) Rules for fungibility of units from various approaches and the possibility for differentiation and/or added value for emission avoidance and sustainable development outcomes; NAE seeks to provide global benefits through the generation of incentives for mitigation in developing countries and in turn reduce the gap with respect to the perceived local benefits. Accordingly, the beneficiaries will be both the local actors who implement the mechanisms and the international community altogether.

3) Principles for Monitoring Reporting and Verification (MRV) and a platform for transparent information reporting; and, matters of registry and avoidance of double-counting of efforts. Ecuador has had an active participation at the CDM Board and has learned from past difficulties with the methodologies of the CDM. Therefore projects financed out of NAE would have to be strictly subjected to processes of MRV.

Since NAE is proposed in a sectorial approach, baselines would be set by sectors and follow general MRV principles of the new mitigation mechanisms and more detailed rules regarding the specific sectors, which should be developed in a multilateral consultation process similar to that of the CDM. The following points will be considered for the MRV of NAE activities:

- The measurement, reporting and verification activities should be defined according to sectors and eligible activities chosen for the implementation of the NAE mechanism at the national level.
- MRV will depend on the elements of environmental integrity and will respond to the proposed scenarios and the corresponding baselines.
- Monitoring schemes for validation and post validation must be drafted determined according to the best available technology to allow for proper reporting and verification.
- Each Party State shall develop their methodologies for measurement, reporting and verification in accordance with the guidelines established by the Executive Committee of the mechanism (where appropriate, the most recent guidelines from the IPCC will be used).

A common accounting framework is needed for all Parties, which must be complemented by compatible national and international registry systems similar to those set up under the KP. There needs to be some level of comparability to avoid double counting and incentivize investing.

A framework becomes essential once you start crossing borders to avoid double counting. The framework should include a common international unit to serve as an international benchmark which dictates validity from the onset by setting a standard. Guaranteeing a common unit can be ensured by strong MRV. If units don’t have the same environmental value (don’t comply with international standard) they should not be considered compatible with the international unit, or alternatively one could implement a conversion system.

Other important point is to have a governance model under the framework, it will benefit from an intermediate body at a national level to serve as a link between the UNFCCC and the local implementation of activities in a country and may be involved in decision-making regarding the sectors and scope of activities to be developed within a country as well as the benefit distribution policies.

In this sense the NAE project cycle takes into account those issues, we consider the participation of a national Steering Committee, an Executive Board under the authority and guidance of the Conference of the Parties to the UNFCCC, an Appointed National Authority (ANA) and Appointed Operational Entities (AOE). The Steering Committee should be composed by the government, representatives of the civil society, and the private sector, and it will be responsible for defining the areas in which the mechanism will be implemented and its scope. Such information may be collected in a sector policy design document. Then, it shall define policies for project selection and distribution.
of benefits. The Steering Committee will have a secretariat composed by delegates from the Appointed National Authority.

The Appointed National Authority is the entity responsible for validating the proposals of the country for their contribution to sustainable development, baseline and NAE credit quantification. It will also carry out the processes of review and approval of NAE’s activities.

The Steering Committee shall coordinate its work with the Executive Board, which will approve and monitor the methodologies used. When an independent evaluation is required, an Appointed Operational Entity accreditation must be conducted to ensure environmental integrity.

That structure can help to have a mechanism that improves the cost-effectiveness, and to promote mitigation actions.