A possible approach for securing Environmental Integrity under the FVA

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Relevance Environmental Integrity (EI)

• Cancun and Durban decisions refer to units (credits) being real, permanent & additional (2/CP.17 para 79)

• Main areas to secure EI:
  – Tracking of units (Robust MRV + Common Accounting)
  – Avoiding double counting (Transparency)
  – Ensuring only units good for UNFCCC compliance are in national registries
  – Quality of units, including credible generation of credits for offsetting

• It is remarkable that so far FVA proposals are silent on the quality of units/offset credits
EI concerns for which units?

- PMR shows various approaches, most of them focusing on national emission reductions, including national offsets, e.g.:
  - UCC (Unidades Costarricences de Compensación)
  - CCER (China CER)
  - Credited NAMA in Mexico

- What about status “Japanese CER” (BOCM)?

- All units play a crucial role in complying with (voluntary) commitments as inscribed by Parties under the UNFCCC → So focusing on units crossing borders only may not be enough
Quality & credibility of units / offsets

• Due to their counterfactual nature baselines and additionality are at the very heart of generation credible credits
• Under CDM additionality and baselines are prescribed top down in methodologies
• FVA intends to provide a flexible bottom up process with Parties being responsible
• A national ETS under FVA without offsets generated outside the ETS does not raise EI concerns (other than robust MRV)
• So focus here is on securing credible offsets under FVA, other than CERs
Securing the quality of offset credits (1)

• The Host Party is responsible for the selection and the quality of any type of offset credits, other than generated under the CDM

• Taking the CDM approach as a reference, other approaches may apply less stringent, scaled up or more simplified rules and methodologies

• Any additional uncertainty created by such other approaches shall be compensated for in the applicable rules/methodology by e.g.:
  – More conservative assumptions
  – Application of correction factors when determining additionality and/or baselines
Securing the quality of offset credits (2)

• When this compensation/correction is not included in the underlying methodology, the resulting credits shall - when used as offset - be corrected or discounted by [X]% based on either:
  – a proposal by the Host Party which is assessed through peer review by independent international experts (not including experts from the Host Party), or
  – a rating of the Host Party’s crediting system, given by an independent rating agency

• Following this approach the resulting credits should be internationally recognized and be fully fungible
Examples of simplification $\rightarrow$ correction

• Combining assessment of additionality and baselines $\rightarrow$ discount for uncertainty
• Positive lists $\rightarrow$ exclude large greenfield projects
• No detailed assessment of future development of baseline $\rightarrow$ reduce the crediting period
• Less detailed monitoring requirements $\rightarrow$ apply conservative defaults or discount for uncertainty
• Credits from LULUCF projects are considered permanent $\rightarrow$ only $[\gamma]$% is claimed as credits and projects are secured for at least 100 years and immediately replaced if lost earlier
Follow up

• Proposals to be discussed in Doha
• The principles to be agreed in Doha
• The details to be elaborated by SBSTA

THANK YOU