

Net mitigation Concept, application, current

discussions under the international negotiations

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What is net mitigation?

- "Various approaches including markets" to "achieve a net decrease and/or avoidance of GHG emissions" (Decision 2/CP.17 - Durban, para 79)
- Lacks definition or common understanding
 - "Amount of GHG reductions generated by credited mitigation activities which are not issued as offsets to the markets" (Warnecke, Wartmann et al 2014, similarly Vrolijk/Phillips 2013)
- Two underlying rationales:
 - Own contribution by host parties / GHG reductions not resulting in offsets count towards host country pledge / greater efforts by non-Annex I countries
 - Net atmospheric benefits / going beyond pledges / enhancing ambition -> increased acceptance of the CDM

Multiple ways of operationalizing net mitigation in the CDM

Stage	Examples
Pre- registration	Over-conservative baselines, defaults Limitation of the crediting period
	-Standardized baselines below BAU -Host country eligibility contingent upon adequate pledges
Pre-issuance	- Share of proceeds by CDM registry operator
Post-issuance	 Cancellation by host country or buyer (voluntary or mandatory) Transfer tax Discount applied when units are converted

Effect not measurable

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Market mechanisms under the UNFCCC and net mitigation

CDM	JI	NMM(s)
Net mitigation is controversial topic in CDM M&P negotiations since Warsaw	Aspects of net mitigation incorporated in review of JI guidelines (conclusions of the chair proposed for adoption in Lima)	"Ensuring a net decrease and/or avoidance of GHG emissions" part of the NMM definition.



Joint Implementation is most advanced in operationalizing net mitigation

JI guidelines and net mitigation (From draft conclusions, FCCC/SBI/2014/L.11)

- Ensure that the baseline is lower than the relevant current emission levels (para 10.a)
- Take uncertainties into account and use conservative assumptions, inter alia, by using benchmarking concepts (para 10.f)
- Technical requirements for JI activities shall:
 - [Allow for net atmospheric benefits, inter alia through the cancellation of ERUs on a voluntary basis]
 - [Ensure net atmospheric benefits, through an automatic [10] per cent share cancelled for the benefit of the environment]
 - [Provide for [net atmospheric benefits], [inter alia] through [reduced issuance of ERUs or] cancellation of ERUs [on a voluntary basis], and
 - assist the host Party in achieving its QELRC for the purpose of meeting its commitment under Article 3 of the Kyoto Protocol through reduced issuance of ERUs]. (para 11b)



- The host Party may, on voluntary basis, determine that a lower amount of ERUs shall be issued than the actual reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks achieved by a JI activity. Any such arrangements should be elaborated in the host Party's national requirements and procedures and shall be indicated prior to the registration of the JI activity, identified as a condition for the activity's registration, made publicly available through the secretariat and taken into account and explained by the accredited independent entity during the verification (para 33).
- [Once national standardized or sectoral baselines have been approved, their use shall be mandatory for new projects. However, where existing project-specific (bottom-up) baselines are more ambitious than standardized baselines, bottom-up approaches shall continue to be applied.] (para 34)



Net mitigation – Some key open questions

- A. Purpose and definition
- B. Scope
- C. Voluntary or mandatory
- D. Country coverage
- E. Single or compounded
- F. Place of negotiation
- G. Timing



A. Purpose and definition

"Net atmospheric benefit"

"Offset use"

Def 1: Portion of emission reductions not purchased by buying country

Def 2: Portion of emission reductions not counted towards any target

<u>Def 3</u>: Net mitigation = own contribution + net atmospheric benefit



Project

- Project is credited less ER than achieved
- e.g. short crediting periods, SoP, conservative defaults

Sector

 Sector is credited less ER than achieved through over-conservative crediting baseline for the sector

Country

- Cancellation of issued units
- Limiting country eligibility to those with adequate pledges



C. Voluntary or mandatory

Preregistration

- Over-conservative baseline
- Limited project or country eligibility
- Shortened crediting period

Pre-issuance

Share of proceeds by registry operator

Post-issuance

- Voluntary cancellation by buyer/seller
- Mandatory cancellation at transfer

Net mitigation - open questions

D. Country coverage





E. Single or compounded

Preegistration

- Over-conservative baselines, defaults
- Limitation of the crediting period
- Standardized baselines below BAU

Pre-Issuance

Share of proceeds by CDM registry operator

1+2

Post-Issuance

- Cancellation by host country or buyer
- Transfer tax
- Discount applied when units are converted

Adapted from Spelding-Felcher

1+2+3?



F. Place of negotiation

Within mechanism	CDM, NMM M&P JI guidelines	Regulating credits issued
Above mechanism	FVA	Limiting eligibility of approaches
Level of ambition	ADP	Regulating accounting of credits / INDCs



Net mitigation - open questions

G. Timing

- What is the appropriate time for negotiating net mitigation? At the same time as countries put forward their INDCs or afterwards?
- Will net mitigation requirements lower the pledges?



Conclusion

 It does not seem useful to discuss "net mitigation" in the abstract given the many modes of operationalization and open questions. Rather, concrete proposals should be brought into the negotiations.