

INTERNATIONAL CREDITING Domestic strategies & governance arrangements

Technical Workshop, Bonn June 13-14 2019





Participation in international crediting



What to open for crediting



Domestic governance options

Why participate in international crediting?



Financial benefits

- Revenue for host country
- Encourage private sector & GHGfriendly investments



Technology transfer



Build capacity

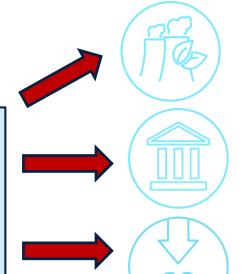
- Getting sectors ready for future mitigation
- Enables increasing NDC ambition over time



Can I trade international credits?

Demand

- Who wants to buy your credits?
- Are there enough buyers?
- Will demand change over time?
- Do your buyers have certain standards or conditions you need to comply with



Voluntary systems

Buyer countries

International carbon taxes or ETSs







Results-based climate finance (eg REDD, TCAF)



But under what conditions?



No mitigation commitments for developing countries

As long as the carbon price covered the cost of the project development



ALL countries have mitigation commitments now.

So how does selling carbon credits affect your ability to achieve your **NDC target**?







Opportunity cost pricing of your mitigation outcome

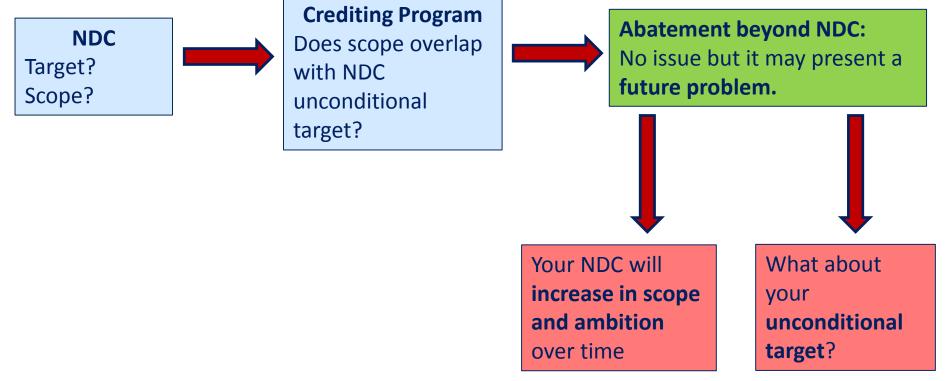


Under a Paris world where every country has an NDC target to achieve, including conditional targets and future, more ambitious targets...there is now an **opportunity cost** for developing countries selling their mitigation outcome.

Therefore, countries should **track & manage** sale of ERs



NDCs and international crediting





NDCs and international crediting: looking to the future

Abatement beyond NDC:

No issue. But it may become an issue over time...

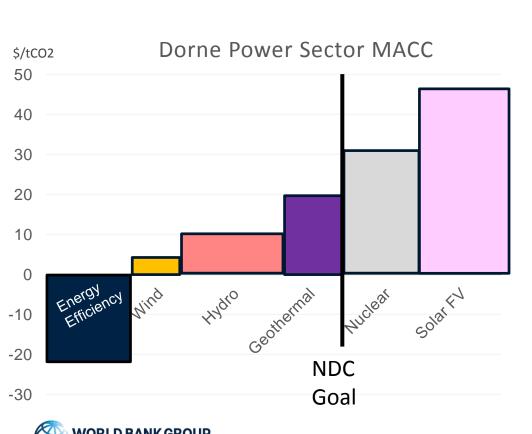
What about increasing NDC ambition or your conditional target? The cost of crediting and selling this abatement must be assessed.

Crediting in that sector now can help build necessary institutions, technology & knowledge to support future domestic mitigation.

Each credit sold is one mitigation unit that can no longer be credited toward the achievement of your NDC target or longer term target.



Cost pricing your international credits

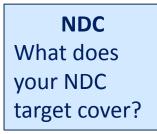


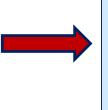
Dorne's NDC target is to reduce emissions in the power sector by 25% compared to a BAU scenario by 2030. Prime Minister Martell has ordered the department of environment to develop policies and calculate the cost of achieving its target. Dorne has also signaled its interest in carbon pricing in its NDC. It has some CDM renewable energy and agricultural projects.

You know that King's Landing want to buy carbon credits to help them achieve their NDC targets.

- 1. Should you sell carbon credits?
- 2. At what price?
- 3. Which credits?

Crediting inside or outside your NDC





Crediting Program

Does it overlap with your NDC unconditional target?

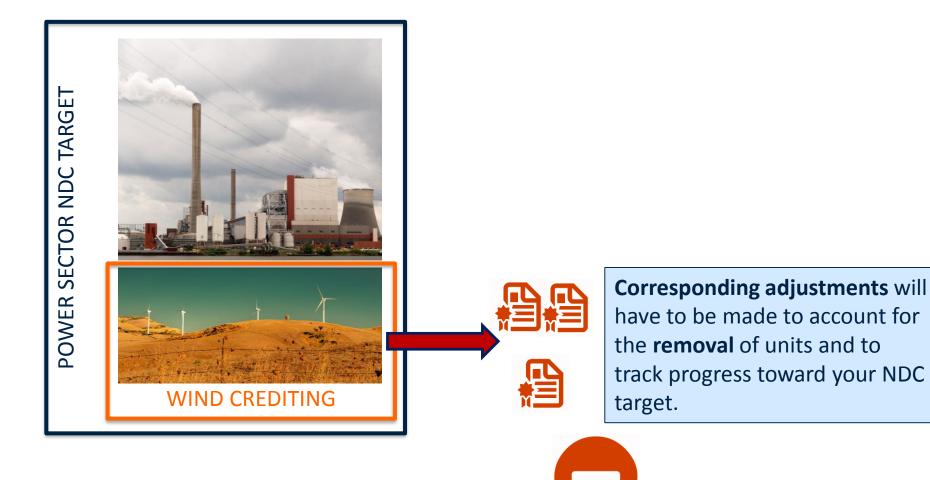


Abatement inside the NDC:

Risk of over-transfer that may make it harder to achieve your target.



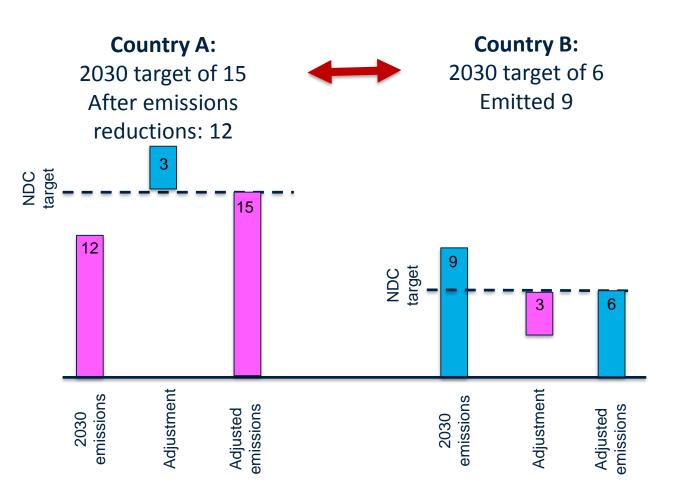
Overlapping NDC and crediting



Transferring **too many** units will make it harder for you to achieve your NDC target.



Corresponding adjustments









Participation in international crediting





Domestic governance options

Approaches to crediting

Approaches	Explanation	+ Pros +	- Cons -
Projects	Individual investment projects (CDM style)	Relatively simple Pure, private sector transactions	Limited opportunities to scale up Risk of leakage and perverse incentives
Programs	Larger number of similar projects	Relatively simple Scalable by replicating similar projects	Risk of leakage and perverse incentives
什什什		Reaches small/micro activities	



Approaches to crediting

Approaches	Explanation	+ Pros +	- Cons -
Policies	Policies like EE standard	Large scale High transformational impact	Highly complex and preparation costs Limited role of private sector
Sector / jurisdiction	Overachievement of sector / jurisdiction mitigation BM or targets	Large scale Low risk leakage and perverse incentives	Depends on external factors (eg delivery risk)



Scope Examples

Policy-based programs

 Energy sector reforms, fiscal policy changes, pricing and regulatory measures to promote sustainable mobility

Sector-based programs

 ERs from combination of increasing EE, promoting alternative fuels, and increasing RE.

Jurisdictional programs

 Sustainable communities (urban) program targeting efficient buildings, reductions in consumption of electricity, gas, and water and a decrease in waste generated beyond the baseline.



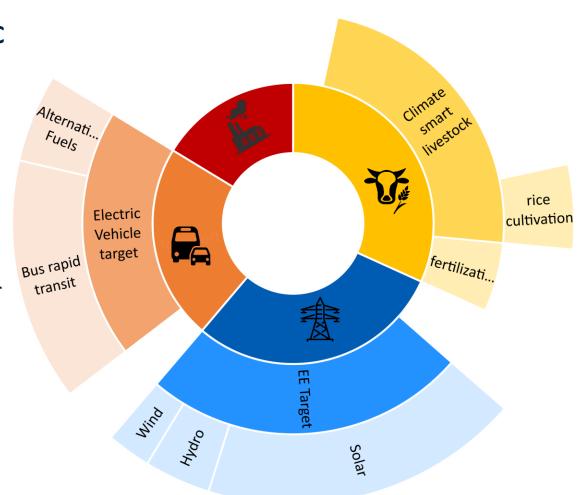
What do I credit?

Interaction with your NDC
 Inside vs outside?
 Conditional vs unconditional target?

2. Existing domestic policies

What climate or energy policies are already in place or being developed in that sector?

Does it make sense to do a crediting mechanism in addition to those policies?









Participation in international crediting



What to credit



Domestic governance options

Domestic governance requirements



Any crediting mechanism should

- 1. Build on existing infrastructures where possible
- Do you have tracking systems or registries?
- Can these be provided by international bodies or standards?



- Be embedded in broader, long-term NDC planning:
- Track all mitigation outcomes and transfers
- Link to your NDC and national inventory
- Crediting can also help the NDC process



MRV and registry



Knowledge & technology transfer to build capacity



Governance: preparing for future crediting



- 3. Prepare for crediting in the future
- Ensure any domestic offset mechanism has sufficient environmental integrity
- Robust accounting
- Alignment with international standards
- Role of international climate finance
- Domestic support



Governance: Emerging Art 6 requirements

key issues

- NDC requirements: inside/outside, metric
- Transition: units and activities
- Corresponding adjustments



Conclusion



Make sure you can still hit your current & future NDC targets

- There is now an opportunity cost for selling your mitigation outcomes
- Manage and track the sale of your mitigation outcomes
- Embed crediting in broader, long-term NDC planning







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