



Standardized Crediting Framework Rwanda Pilot

Second Capacity Building Workshop



Agenda

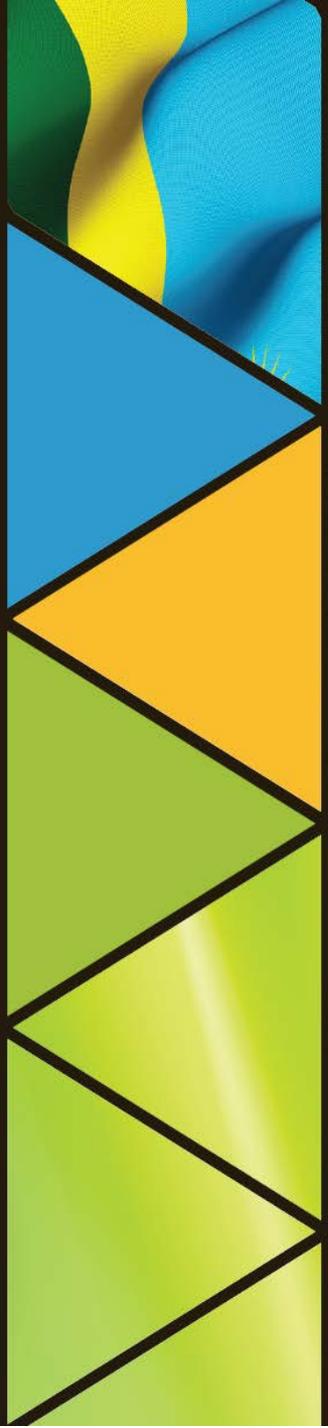
Time			Description	Presenter
8:30	-	9:00	Registration; Tea and Coffee	
9:00	-	9:15	Welcome and Opening by REMA & World Bank	REMA, WB
9:15	-	10:00	Context: crediting under Paris Agreement, CDM transition	Consulting team
10:00		10:45	SCF concept for Senegal and Rwanda Lessons learned so far from SCF Senegal Pilot on rural electrification	Consulting team
10:45	-	11:15	Tea break	
11:15	-	11:45	Rwanda SCF Pilot governance issues and proposals	Consulting team
11:45		12:30	Rwanda SCF Pilot technical issues: scope, eligibility, project cycle	Consulting team
12:30		13:30	Lunch	
13:30	-	14:30	Rwanda SCF Pilot technical issues: methodology, baselines, other issues	Consulting team
14:30	-	15:00	Discussion and next steps	All
15:00			Closing	Chair

Crediting under the Paris Agreement and the transition of the CDM

SCF Rwanda Pilot: Second Capacity Building Workshop
14 November 2018

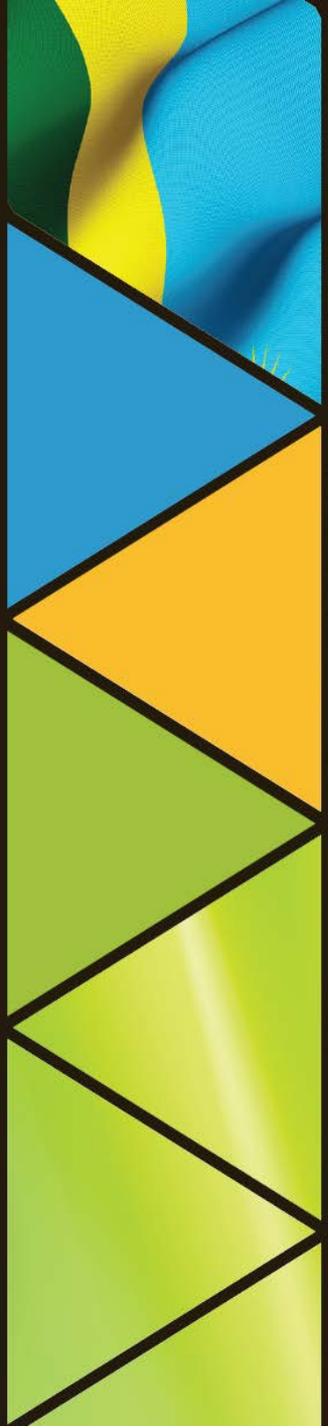
with special thanks to Sandra Greiner



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Outline

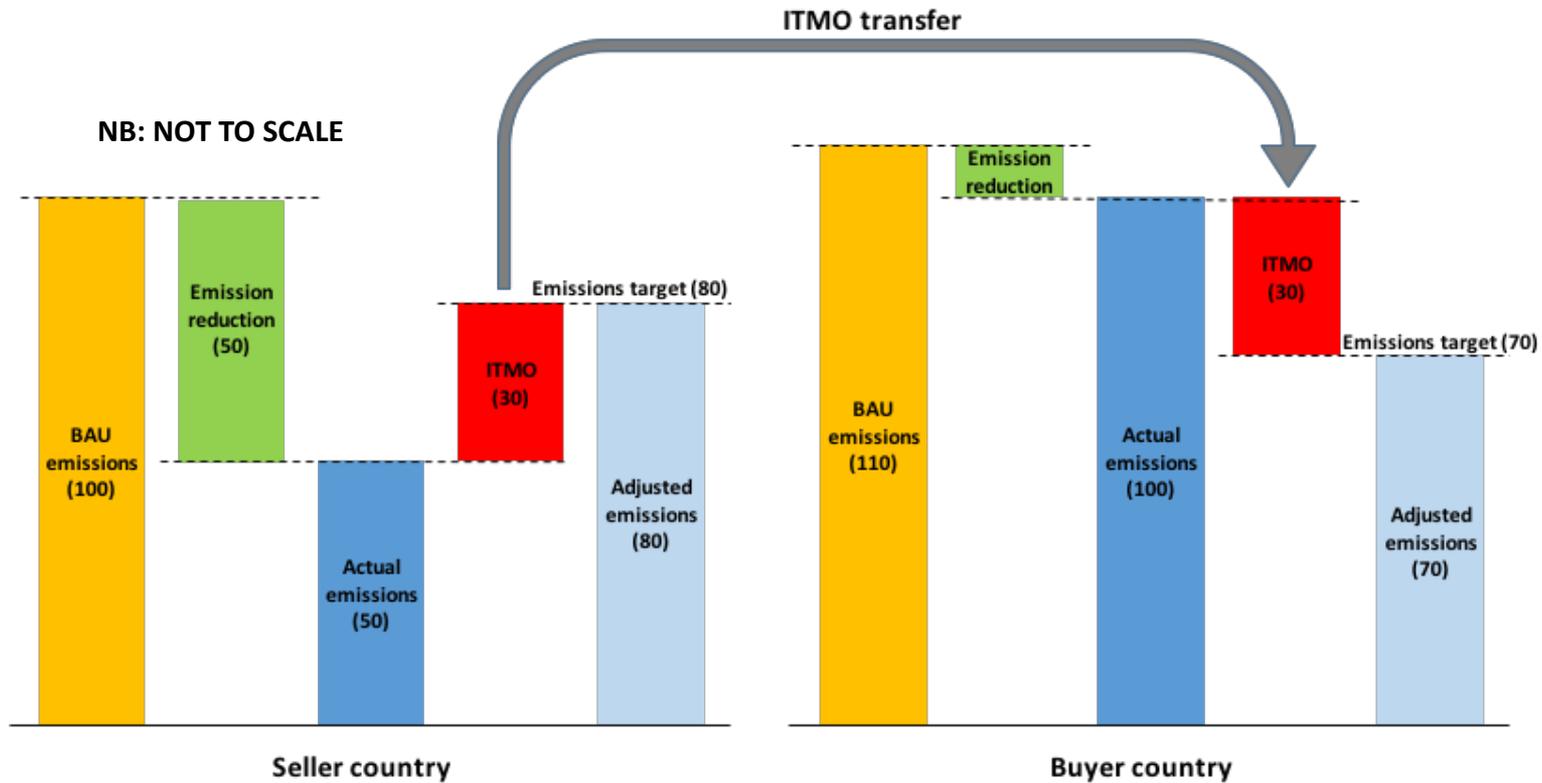
- Understanding crediting under the Paris Agreement
- Introduction to “Article 6” of the Paris Agreement
- Transition (or not) of CDM projects and programs to the Paris Agreement



Crediting under the Paris Agreement

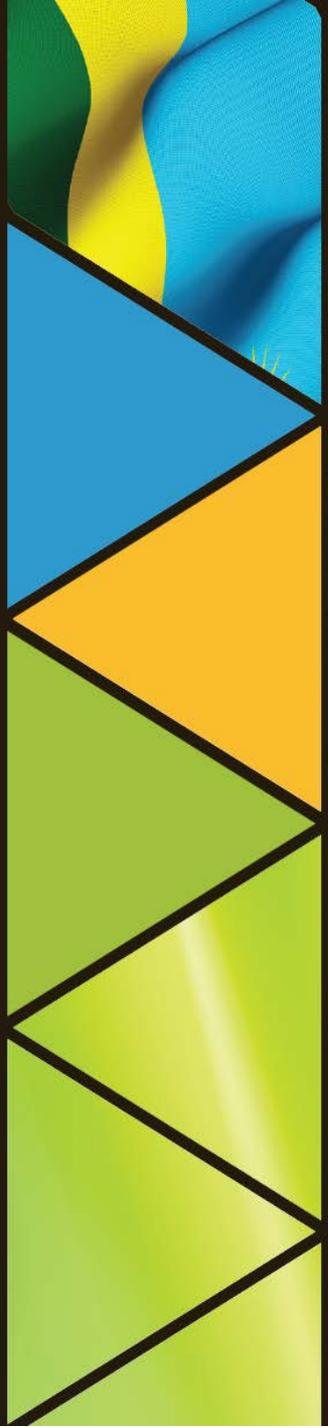
- The Paris Agreement (PA) is a new era for international carbon crediting
- The “old” mechanisms of the Kyoto Protocol are not recognized under the PA, however “lessons learned and experiences gained” must be considered when designing the new approaches
- The Paris and the Kyoto worlds are fundamentally different in three aspects:
 - Now all countries have mitigation commitments (i.e. in their NDCs) and the affects crediting and the transfer of emission reductions. NDC commitments have implications for baseline setting and avoiding double counting (i.e. two countries may not use the same emission reductions for their NDC goals)
 - The PA also recognizes bottom-up crediting schemes developed outside the UNFCCC as “cooperative approaches”, subject to guidance on eligibility of these schemes => the SCF could be one of these
 - PA also addresses non-market approaches (e.g. climate finance) in same article as market mechanisms – negotiations are linked

Illustration: corresponding adjustment



Source: Schneider et al. (2016)

ITMO = internationally transferred mitigation outcomes



Article 6 of the Paris Agreement

- Article 6 of the PA includes international crediting, which is part of a broader set of mechanisms for voluntary cooperation between Parties to implement or enhance the ambition of their NDCs
- Article 6 contains three approaches/mechanisms:
 - **Cooperative approaches** (Art 6.2 & Art 6.3) between Parties
 - **International mechanism for mitigation and sustainable development** (“Art 6.4 Mechanism” or “Sustainable Development Mechanism”, SDM”) (Art 6.4-Art 6.7)
 - **Framework for non-market approaches** (Art 6.8 & 6.9)
- The first two result in the transfer of mitigation outcomes from one country to another, like the CDM and International Emissions Trading, while the third does not

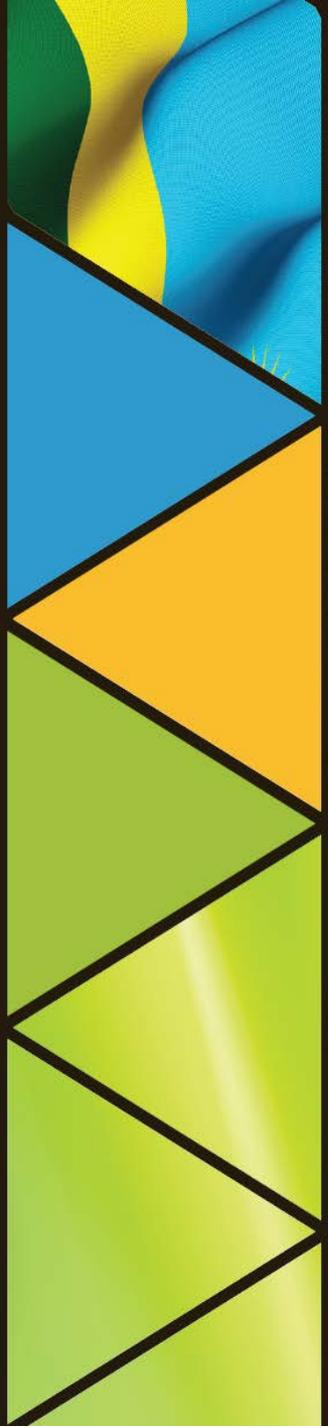
Article 6.2 vs Article 6.4

Article 6.2

Decentralized
Country-led
Robust accounting – only use ERs once
Follows CMA guidance

Article 6.4

Centralized mechanism
Has a mitigation activity project cycle
Funds adaptation and must lead to
“overall mitigation in global emissions”
Follows CMA rules, modalities and procedures –
more like CDM rules



Article 6.2 - Cooperative approaches

Context

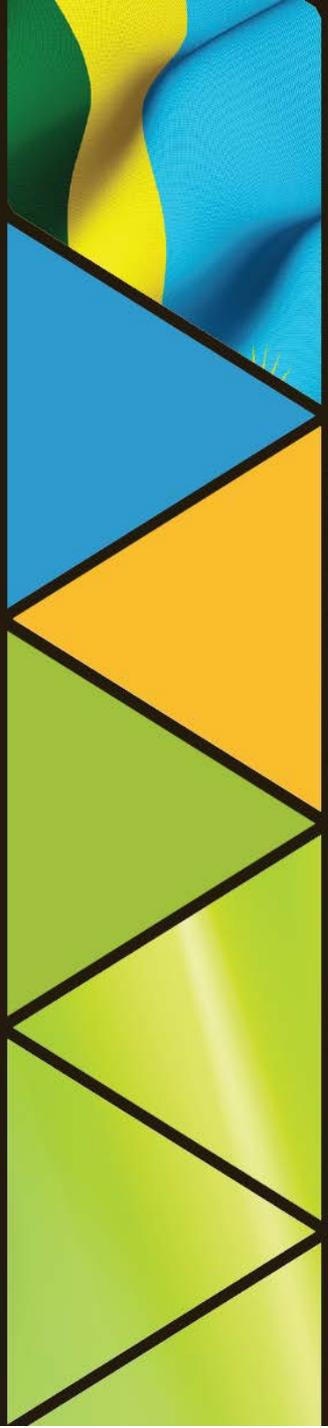
- Recognition of “bottom-up” approaches by the UNFCCC
- Examples: Linking of emission trading schemes, government-to-government cooperation on mitigation, crediting approaches developed by countries themselves

Role of the CMA

- adopt guidance, including to avoid double counting by making “corresponding adjustments”

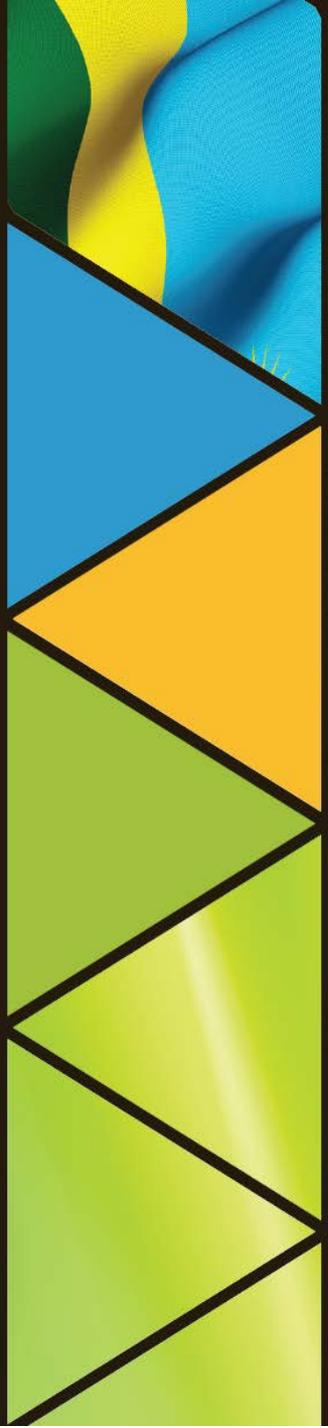
Core of the guidance

- “Parties shall, where engaging in cooperative approaches that involve the use of “ITMOs” towards NDCs, promote sustainable development and ensure environmental integrity and transparency, including in governance, and shall apply robust accounting to ensure...the avoidance of double counting..”



Points of divergence under Article 6.2 ..to be resolved in Katowice?

- Whether guidance should be limited to accounting (i.e. avoidance of double counting) or also define requirements for cooperative approaches themselves
- Definition and denomination of internationally transferred mitigation outcomes (ITMOs)
- Participation requirements (e.g. ex-ante check on participation, NDC translated into a budget of allowable emissions)
- What needs to be reported and how often
- How to do “corresponding adjustments”? What should be the accounting basis for corresponding adjustments? Inventory emissions? NDC pledges? Others?
- Governance – the degree to which cooperative approaches need a dedicated review process (i.e. Art 6 body, Art 6 technical experts) or whether review is fully integrated into the Art 13 process
- Whether activities in sectors outside the scope of the NDCs are eligible
- Whether to levy a share of proceeds and require overall mitigation



Article 6.4: A mechanism for mitigation and sustainable development

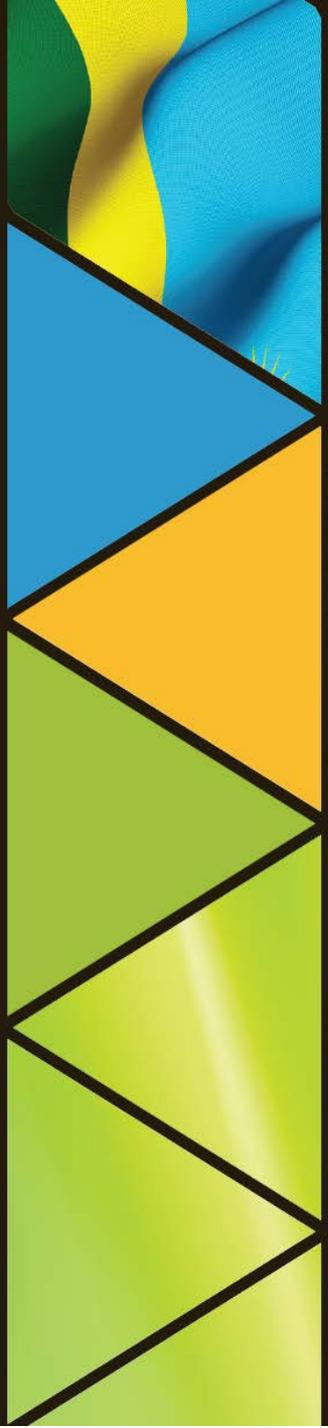
- A mechanism under the authority of the CMA and supervised by a designated body – similar to the CDM

Objectives:

- To mitigate GHG emissions and support sustainable development
- To incentivize and facilitate participation by public and private entities
- To reduce emissions in the host Party, resulting in emission reductions that can also be used by another Party to fulfil its NDC
- To deliver an “overall mitigation of global emissions” (OMGE)

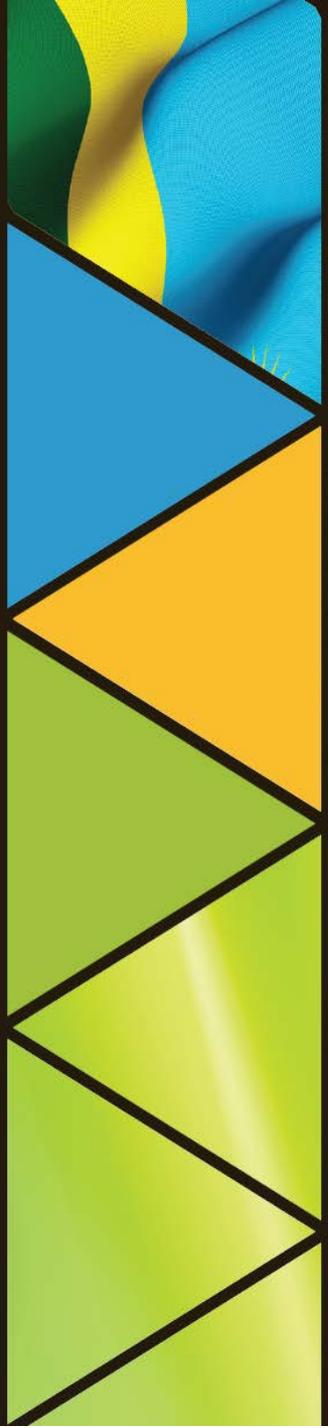
- To raise a “Share of Proceeds” to cover administrative expenses and fund adaptation
- Double counting: Emission reductions can only be used by one Party to NDC compliance

Role of the CMA: to adopt the rules, modalities and procedures for the mechanism (similar to CDM M&P)



Points of divergence under Article 6.4

- How to define additionality, baselines and crediting periods in the context of the Paris Agreement and the NDCs
- How to operationalize the requirement for “overall mitigation of global emissions”
- Composition and rules of procedures of the Supervisory Body, and when to establish the body
- Role of the host countries in governance and project cycle
- Whether Article 6.2 guidance applies to Art 6.4 ERs and under which circumstances
- Transition of CDM credits and activities



Article 6.8: Framework for non-market approaches (NMA)

Key features

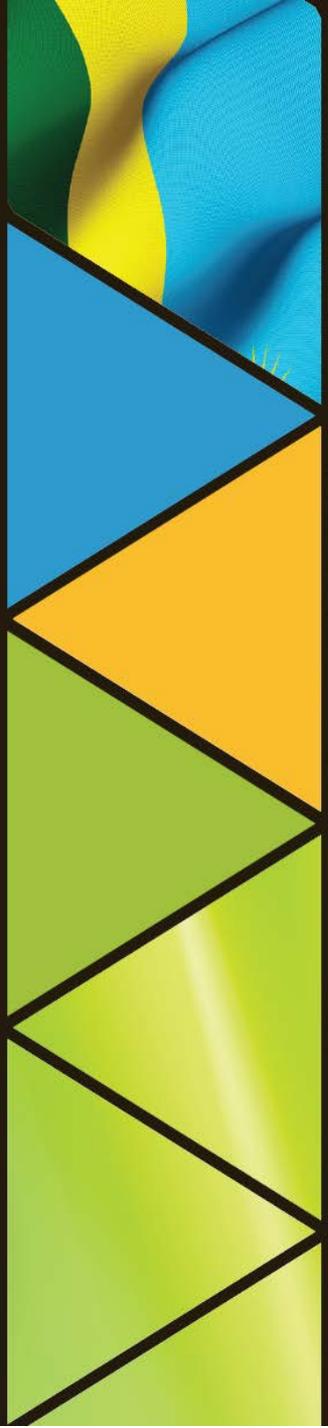
- Recognizes the importance of integrated, holistic and balanced non-market approaches in the context of sustainable development and poverty eradication
- Should promote ambition, enhance public and private sector participation, enable opportunities for coordination across instruments and institutional arrangements
- SBSTA to develop and implement a work programme

Objectives of the work programme

- Enhance linkages and create synergy between mitigation, adaptation, finance, technology transfer and capacity building
- Consider how to facilitate the coordination and implementation of non-market approaches

Role of the CMA

- adopt a decision on a work programme

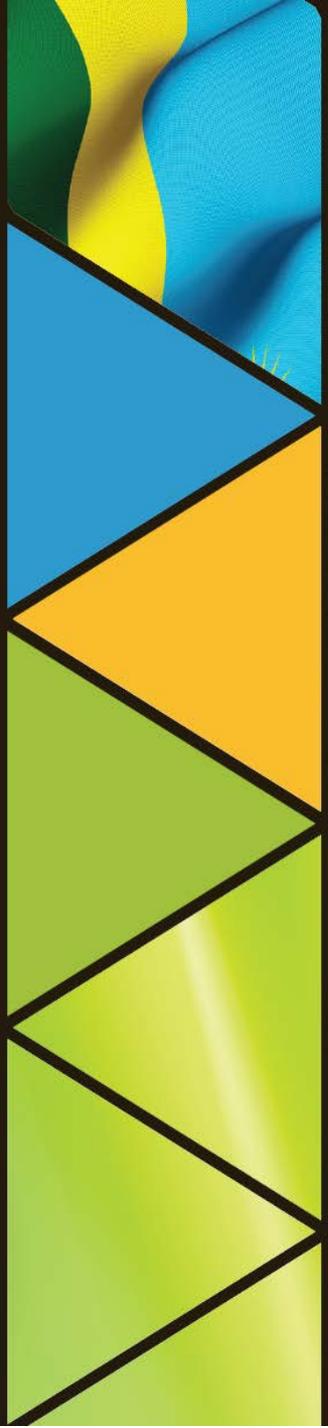


Points of divergence under Article 6.8

- Where the framework will be hosted - under SBSTA/SBI or a dedicated new body/task force
- What the composition of the “task force” should be
- Whether the work programme is open ended or time-bound
- What are the modalities, activities and outputs of the work programme on non-market approaches
- Whether any specific focus areas should be defined in Katowice

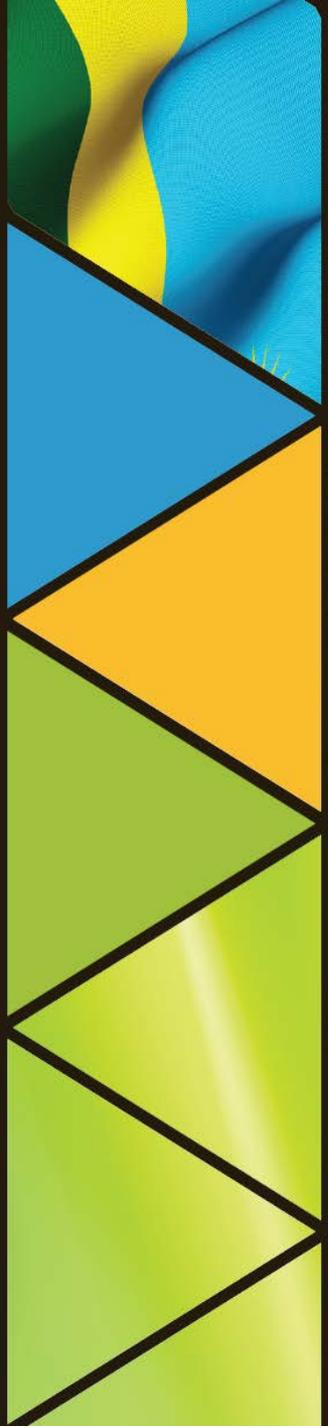
CDM transition





Can projects transition from Kyoto (CDM) to Paris (Article 6)?

- The CDM is not recognized under the Paris Agreement
- A key reason is the fact that all countries have taken on commitments in their NDCs
- However, Article 6.4 is required to build on the experiences and lessons learned of KP mechanisms
- Article 6.4 has similarities but also differences
- Article 6.4 could provide a new home for CDM activities, while Article 6.2 could potentially recognize credits generated under the CDM (i.e. even if full mechanism is not recognized)



What needs to be done to transition a program from the CDM to Article 6?

International level

Finalize the rules for Article 6

Define the process for transition

Operationalize the Supervisory Body for Article 6.4

Domestic level

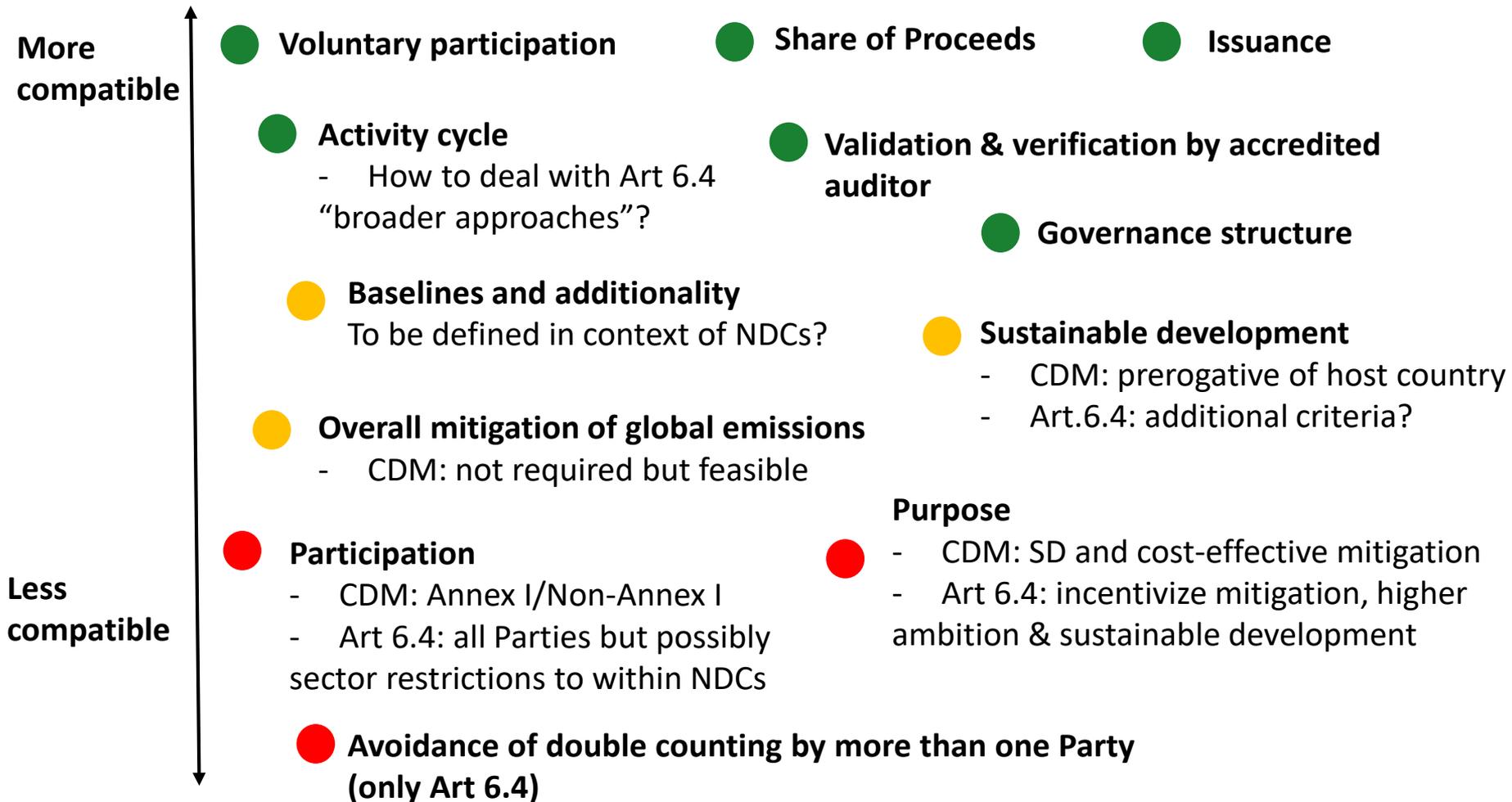
Approve re-registration of the program under Article 6.4

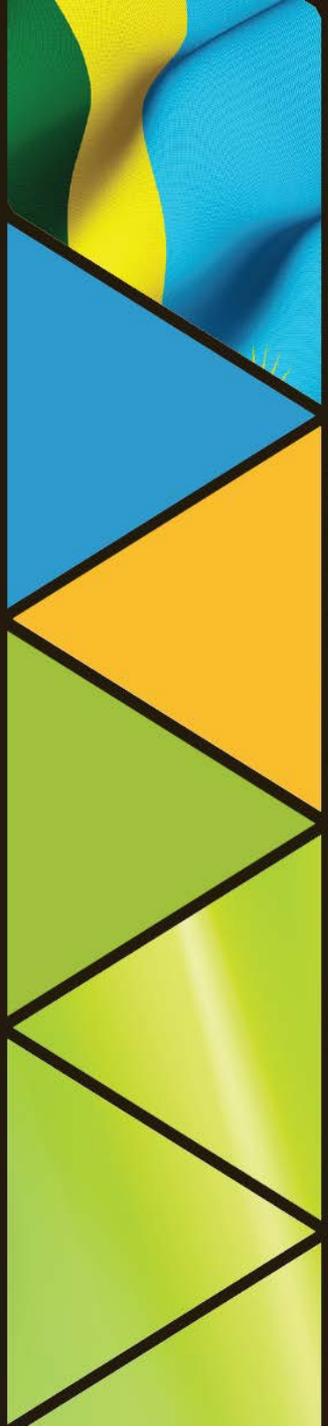
Authorize the transfer of emission reductions

Program level

Meet the requirements

Comparing CDM and Article 6.4 rules





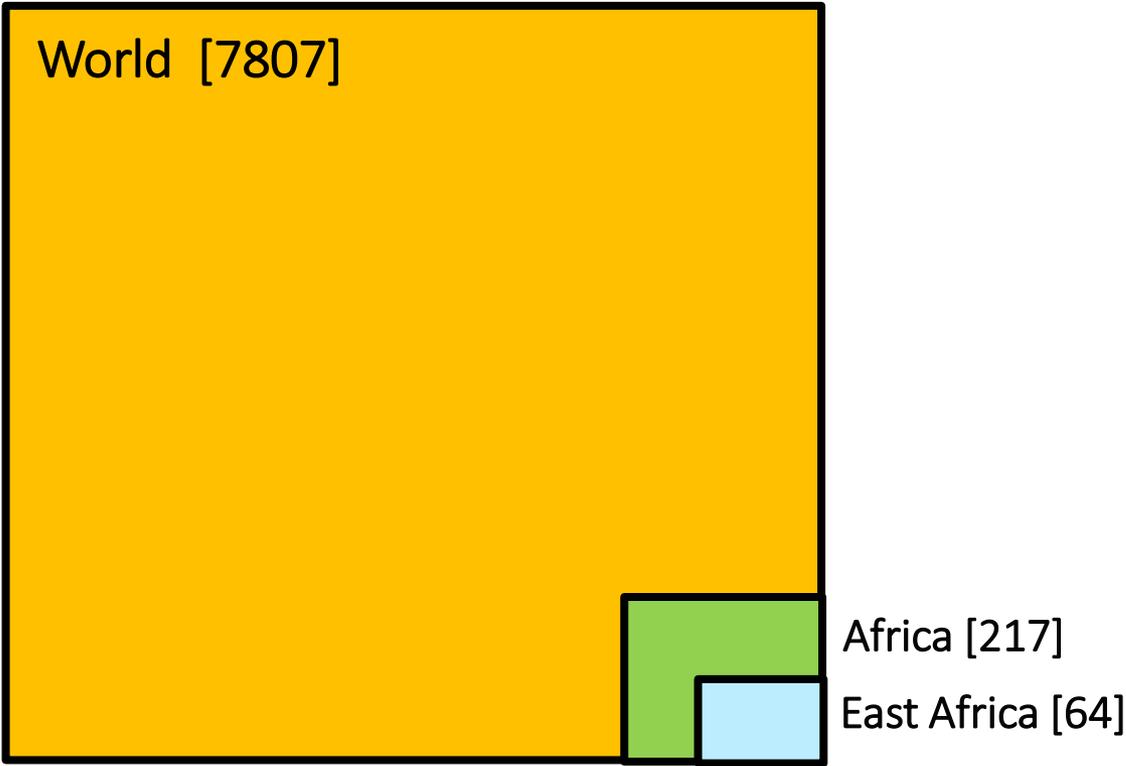
What rule changes should CDM programs anticipate?

- **Avoidance of double counting** – host countries must report and account for emission reductions transferred internationally through a “corresponding adjustment” (e.g. to their GHG inventory)
- **Baselines and additionality** – open question on how baselines should relate to the NDC commitments. This might happen by incorporating sectoral and national policies, as well as use of benchmarks, in crediting baselines
- **Eligibility** – programs outside NDC scope (i.e. in sectors not covered by NDC commitments) might face restrictions
- **Overall Mitigation of Global Emissions** – unclear what this means and how it will be implemented; could lead to discounting or cancelation of some credits
- **Sustainable development** – potentially new requirements on reporting and third party verification

CDM project experience in East Africa

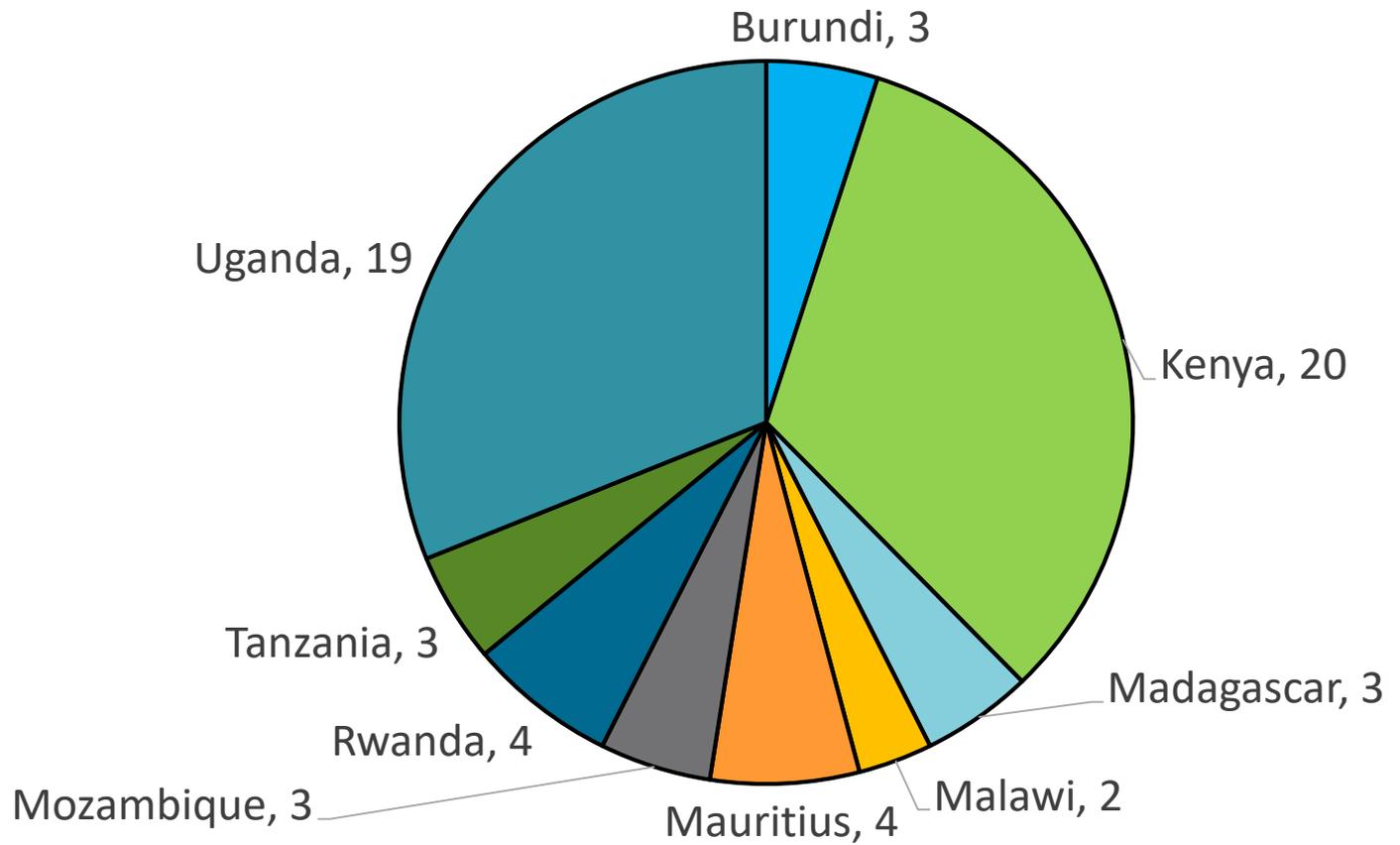


Registered projects



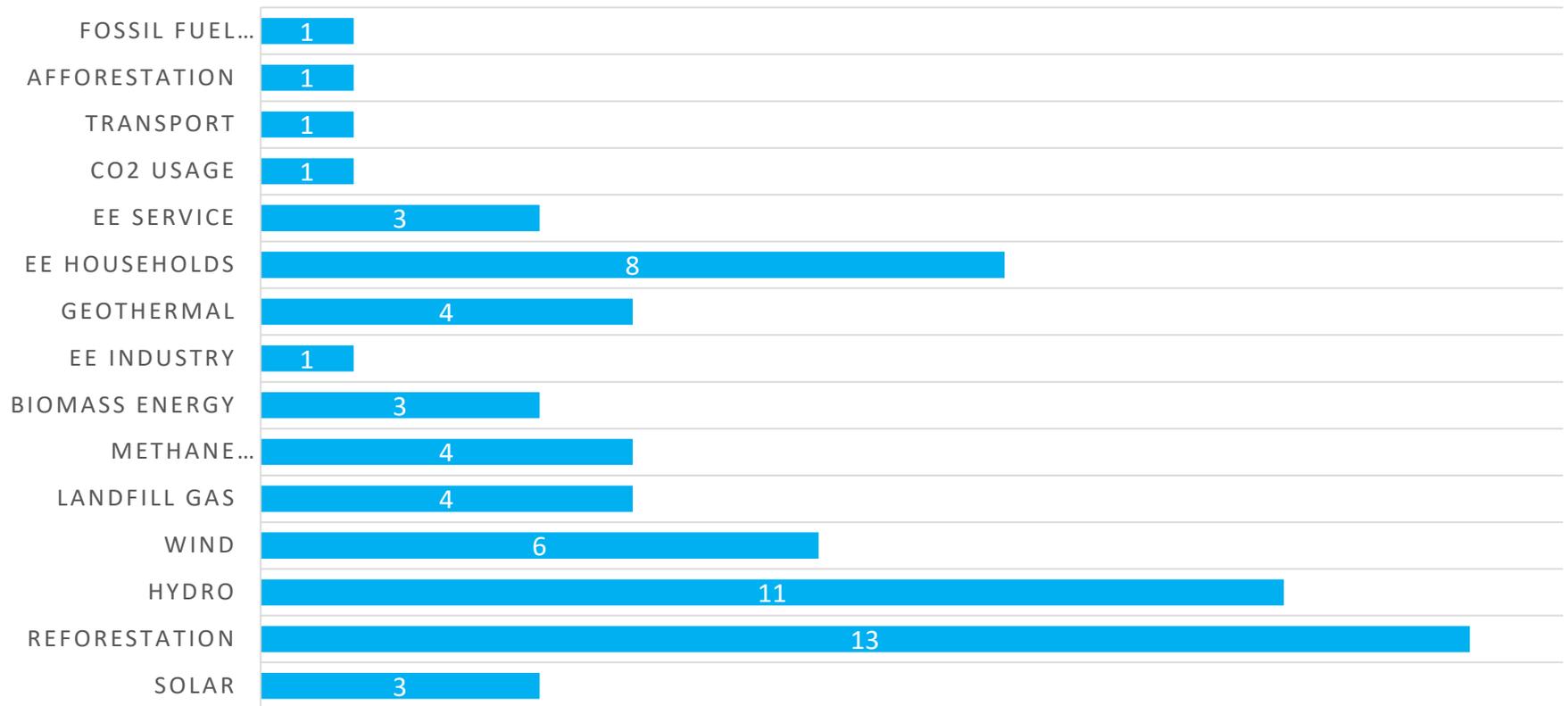
Africa: 2.8% of global CDM project share
East Africa: 0.8% of global projects

Geographical distribution of projects in East Africa



Covered project types in East Africa

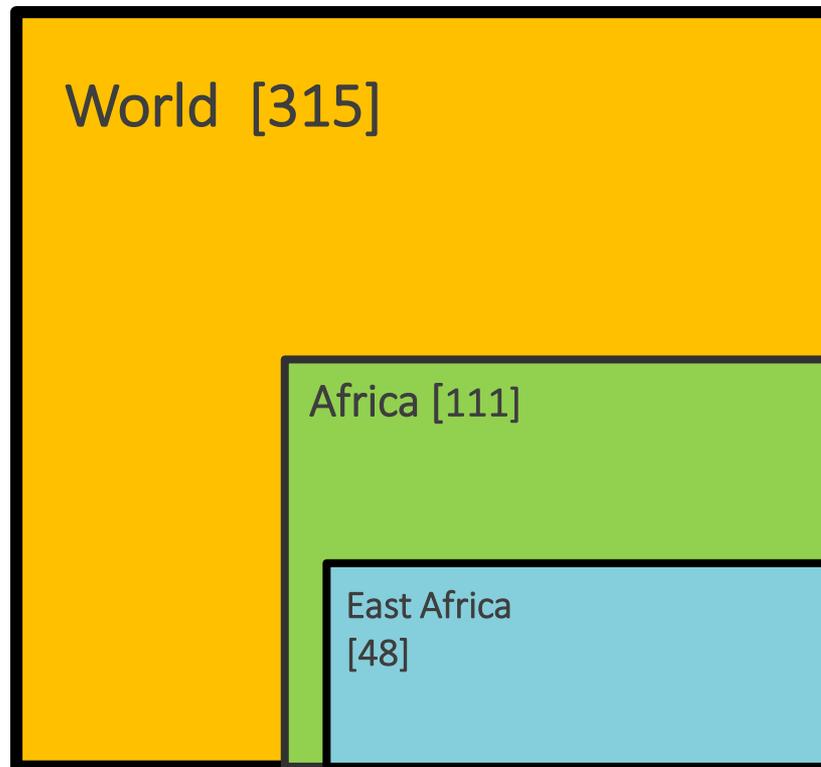
OF PROJECTS PER TYPE



CDM PoA experience in East Africa



Number of registered PoAs in East Africa

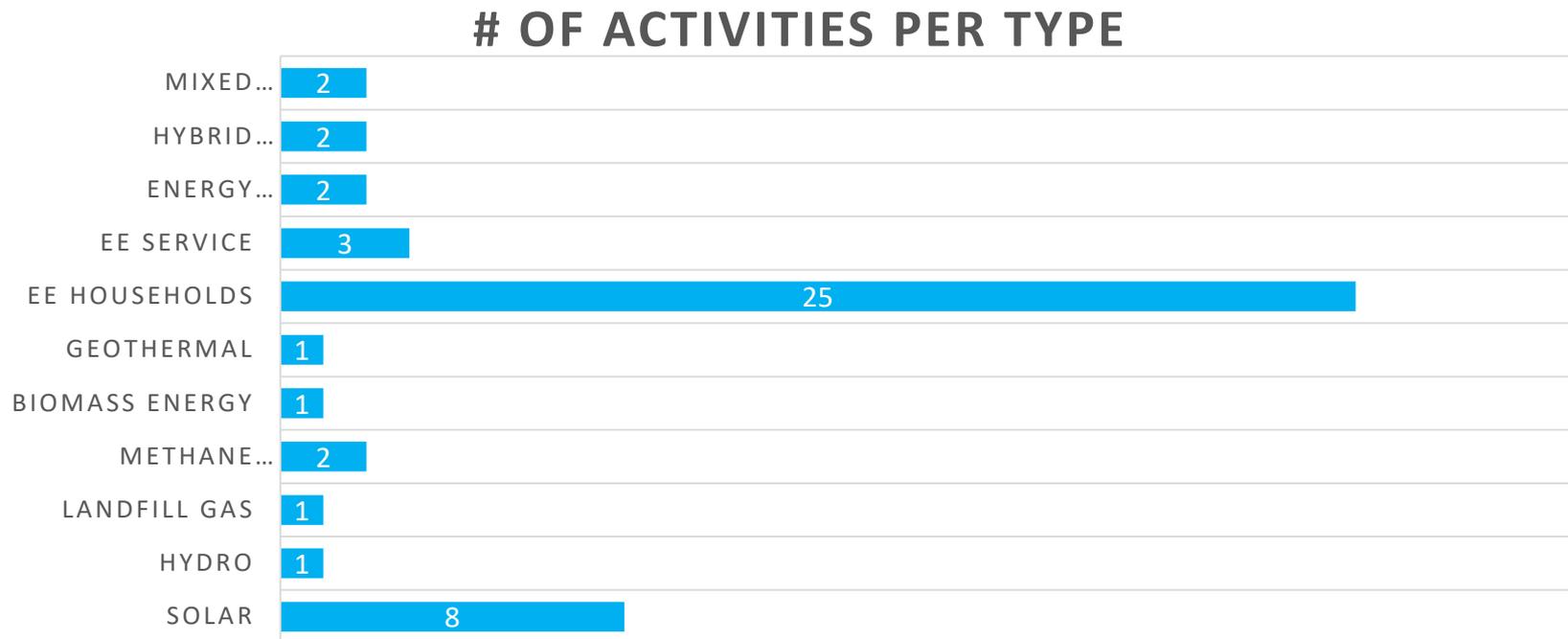


East Africa: **15.2%** of global registration

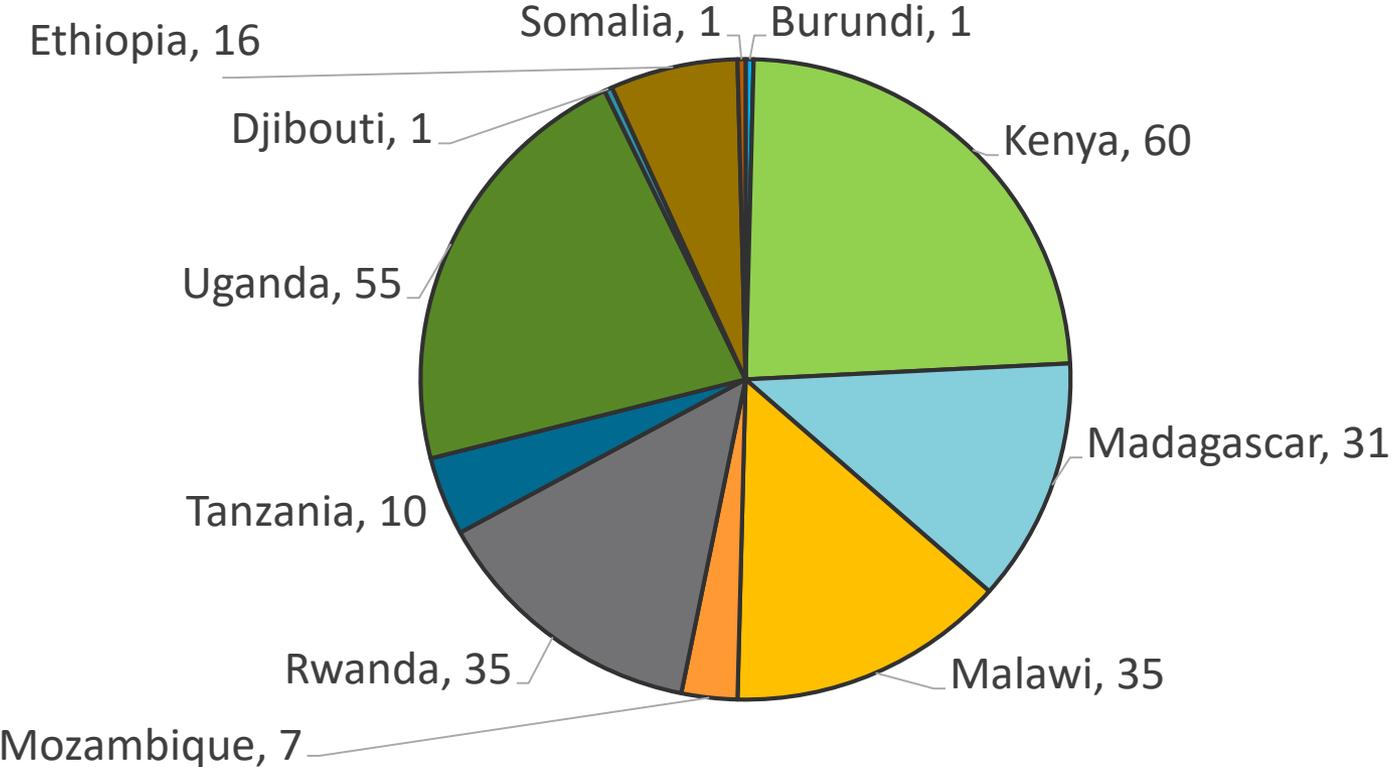
- 36 PoAs so far with CPAs exclusively in East Africa, 12 PoAs with CPAs partially in West Africa
- 3 PoAs in West Africa replaced at validation
- 2 PoAs in West Africa rejected
- 10 currently in validation
- Issuances in 14 of 48 PoAs

Africa: **35.2%** of global registration

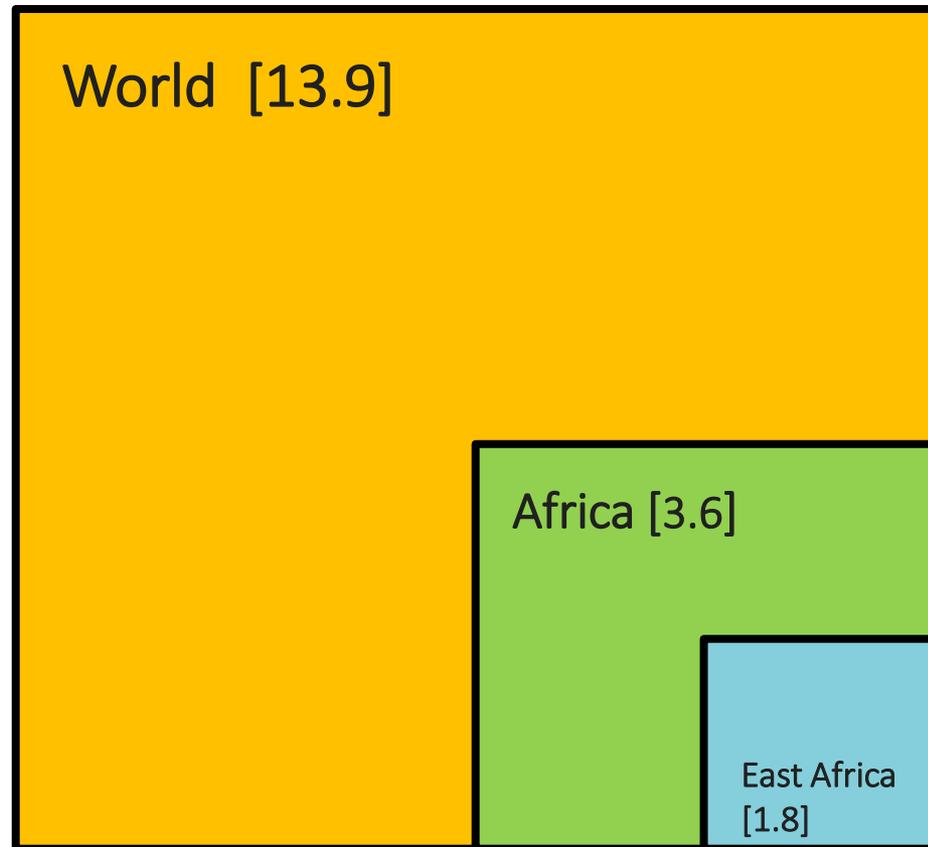
Covered project types in PoAs in East Africa



Geographical distribution of CPAs in East Africa



Million CERs issued in CPAs



East Africa: 13% of global issuance

Issuances in 54 of the 265 CPAs

Africa: 25.9% of global issuance