



A Home for All

ARCHITECTURE OF A FUTURE GLOBAL FRAMEWORK FOR MITIGATION ACTION

As Parties to the United Nations Framework Convention on Climate Change (UNFCCC) strive for a successful global climate agreement in Paris in 2015, they will need to address a well-identified set of issues. An aggressive approach that mobilises public and (much larger) private investment in mitigation, adaptation, and capacity building is essential to achieving the objective of the Convention: stabilization of greenhouse gas concentrations in the atmosphere at a level—and in a timeframe—that would prevent dangerous anthropogenic interference with the climate system.

Lessons from other multilateral processes, as well as current UNFCCC discussions, suggest that a successful mitigation architecture must be:

1. **inclusive:** this requires *incentives for broad participation*;
2. **flexible:** this requires a *dynamic structure* that welcomes nations to take action as their capacities evolve;
3. **transparent:** this requires *tools for measurement, reporting, and verification (MRV) of emissions and sequestration to assess progress*, in light of the latest climate science and the objective of the Convention; and
4. **effective and efficient** in achieving ambitious emission reductions, using *market and non-market mitigation approaches* to unlock needed financial, institutional, and human resources.

Recognising that each UNFCCC Party retains sovereign prerogatives to design its own approaches, Environmental Defense Fund (EDF) believes that a key role of the Conference of the Parties (COP) in advancing mitigation can and should be to establish a framework of standards that:

- serve as guideposts for the design of effective domestic market and non-market emissions reduction programmes that choose to follow them;
- facilitate environmentally sound market linkages among programmes that choose both to utilise market mechanisms and to link them; and
- provide means for comparing the efficacy of various programmes in meeting the UNFCCC's objective.

An effective architecture for mitigation must incentivise sovereigns to improve measuring, reporting, and verification (MRV) of emissions and sequestrations, while offering a series of flexible pathways for them to choose among market or non-market approaches.

A checklist for climate and market integrity

To achieve the goals above, the Parties should establish a framework of core standards for a variety of domestic mitigation approaches, with additional standards for market approaches. The combined set of standards could be established under the

“Framework for Various Approaches” (FVA) or under the Ad Hoc Working Group on the Durban Platform (ADP). These standards would create a “Climate and Market Integrity Checklist,” as illustrated in the table below.

FRAMEWORK STANDARDS	ROLE OF THE CONFERENCE OF THE PARTIES (COP)
CORE STANDARDS FOR ALL APPROACHES	
1. Transparent MRV and accounting for total emissions and sequestration	Establish and promote broadly agreed best-practice standards for emissions accounting, and measurement, reporting, and verification (MRV).
2. Enforcement/Compliance	COP may facilitate transparency and “best practice” guidelines for domestic enforcement.
3. Durable and consistent rules that foster long-term investment	Facilitate periodic scientific assessments of global progress in meeting objective of the Convention; establish best practice guidelines for predictable evaluation and revision of programmes.
4. Incentives for early action (optional)	Adopt clear standards for establishment of effective, high-integrity early action programmes.
ADDITIONAL STANDARDS FOR MARKET APPROACHES	
5i. Caps on total, sectoral, or jurisdictional emissions	Adopt standards that domestic approaches should meet for a) national caps (which should be expressed and measured in absolute tonnes rather than intensity or similar measures), b) sectoral or jurisdictional emission reduction crediting programmes (with performance assurance mechanisms), and c) domestic offset programmes. Reference levels and associated crediting baselines should be defined in terms of known historical emissions.
5ii. Emissions budgets defined against known historical baselines, rather than Business as Usual (BaU) projections	
6. Definition and fungibility of traded units, including offsets	Establish clear standards for traded units, including indirect and direct emissions units, and rigorous standards that domestic offset programme units should meet to trade across borders.
7. Transparent tracking and reporting of emissions units and transactions	Establish transparent international transaction log.

A Home for All: toward a new climate architecture

What kind of structure for a 2015 agreement could deliver the minimum standards described above, unlock private and public investment, and increase ambition and participation, while respecting the principles of the Convention?

An effective architecture for mitigation must incentivise sovereigns to improve MRV of emissions and sequestration, while offering a series of flexible pathways for them to choose among market or non-market approaches. Effective MRV benefits sovereigns by helping them to:

1. understand the scope of the climate challenge,
2. develop strategies to address it, and
3. assess the extent to which policy interventions are succeeding.

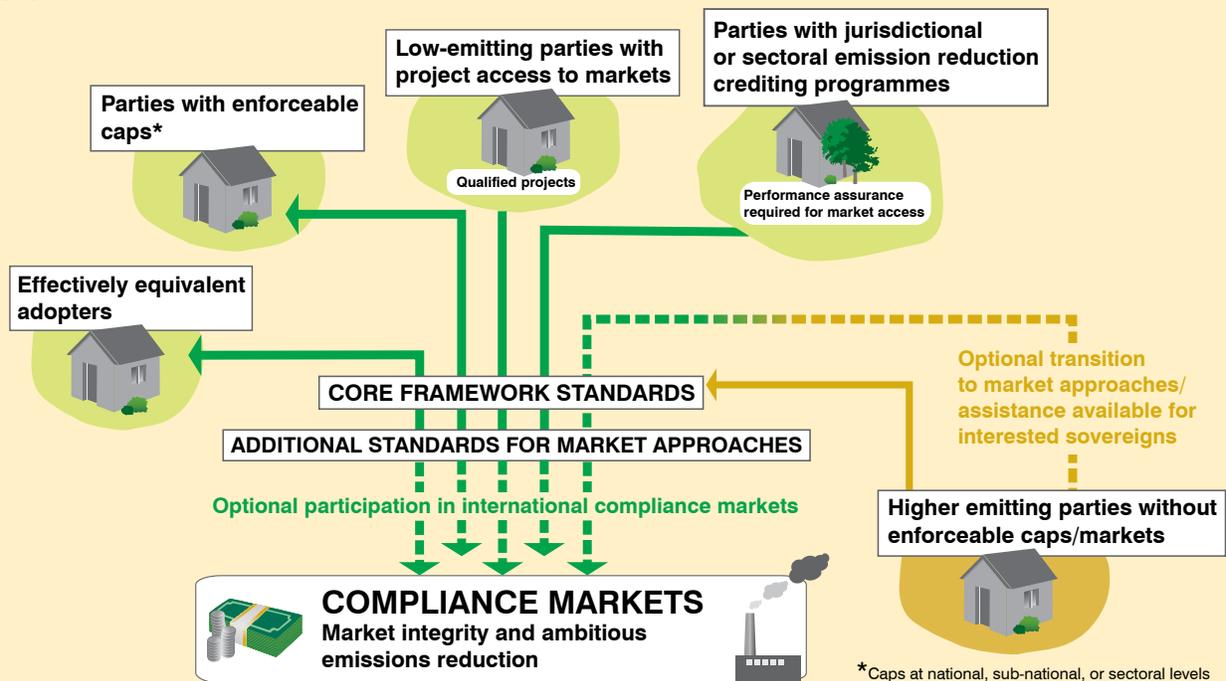
MRV programmes also give public and private actors confidence in calculating the costs and benefits of addressing rising emissions, and in turn help mobilise investment in low-carbon development – particularly when supported with a long-term policy signal.

In the process, MRV systems improve sovereigns’ capacity to address climate change, whether through non-market or market-based policies, or (as is more likely) both. Figure 1 below illustrates a flexible mitigation architecture that aligns a sovereign’s choice of mitigation action with different types of market and non-market tools. Providing a “Home for All,” this structure respects the principles of the UNFCCC by providing space for a variety of domestic approaches.

Every sovereign can find its own home in this new architecture, and can choose to move from one to another as capabilities and national circumstances evolve. Some sovereigns may occupy multiple homes, since they may choose to implement market-based emissions caps on some sectors or gases (i.e. “Parties with enforceable caps”), while simultaneously pursuing non-market solutions for other sectors or gases (i.e. “Higher emitting Parties without enforceable caps/market approaches”). Support should be made available to assist countries to improve their capacity, if they choose to move from one space to another. A variety of climate funds and market support programmes currently exist that can help Parties to make the move.

FIGURE 1
A Home for All

A flexible mitigation architecture aligns a sovereign’s choice of mitigation action with different types of market and non-market tools. Domestic market-based approaches—in both developed and developing countries—that satisfy the Climate and Market Integrity Checklist could secure access to international carbon markets.



Matching transparency with resources

Improvements in MRV and accounting for both market and non-market approaches can facilitate access to resources needed for effective implementation. For example, sovereigns with non-market approaches that include more rigorous MRV of emissions and sequestration could be matched with appropriate sources of support in the NAMA Registry.

Similarly, the COP might establish an optional “Market Linkage Registry,” built around the framework standards described in the Climate and Market Integrity Checklist, to provide tools for sovereigns to assess the compatibility of other sovereigns’ market approaches for potential bilateral or plurilateral market linkage. Parties with market approaches that include high-integrity domestic MRV and accounting would be likely to attract greater interest in linkage and investment from other sovereigns. An illustration of this approach to incentivize improvements in MRV and accounting is shown in Figure 2.

If the COP is not able to establish a Climate and Market Integrity Checklist, individual sovereigns and groups of sovereigns could still develop such standards to:

- evaluate each other’s domestic approaches;
- assess the ambition and mitigation effectiveness of each other’s programmes;
- identify programmes for potential market linkage; and
- based on the above, make objective decisions whether to allow emitters operating within their jurisdictions to tender, for compliance purposes, units that arise within the jurisdiction of other sovereigns.

Putting it all together

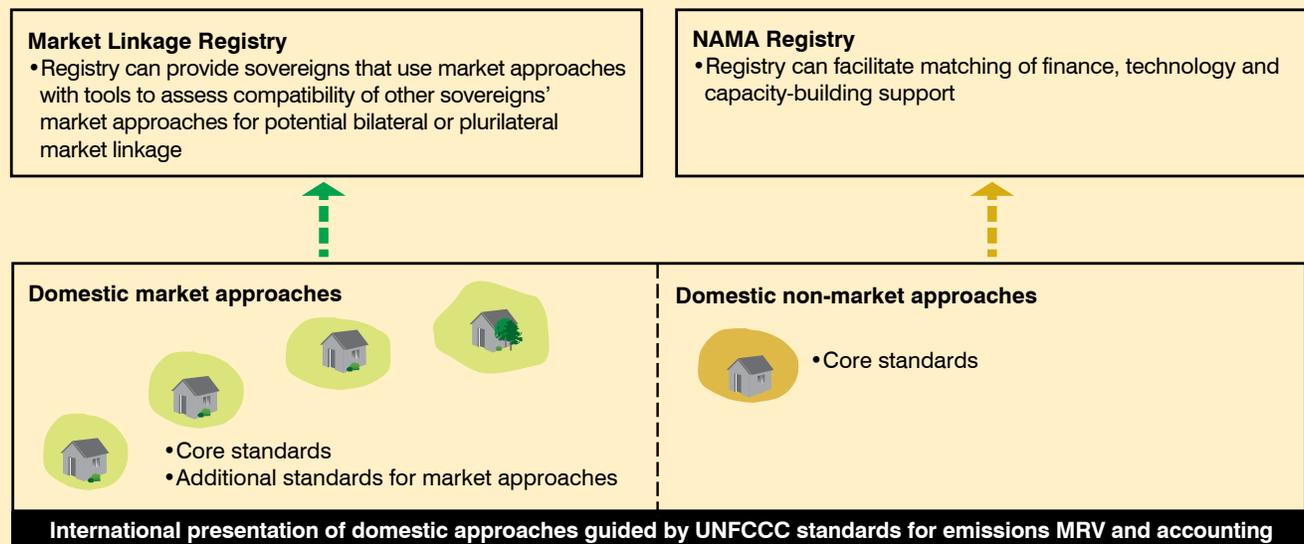
Enforceable legal instruments at the international or purely domestic level, together with robust MRV systems embedded in well-designed market and non-market approaches, are crucial tools in the climate policy toolbox. These tools will be essential components of a successful 2015 agreement, if nations are to mobilise the significant private and public finance needed to achieve the objective of the Convention.

Find more detail and download EDF’s submission to the UNFCCC, “A Home for All: Architecture of a Future Framework for Various Approaches,” at edf.org/fva.

FIGURE 2

Incentives for MRV and accounting

Improvements in MRV and accounting for both market and non-market approaches can facilitate access to resources needed for effective implementation.



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