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# ACCOUNTING UNDER THE PARIS AGREEMENT

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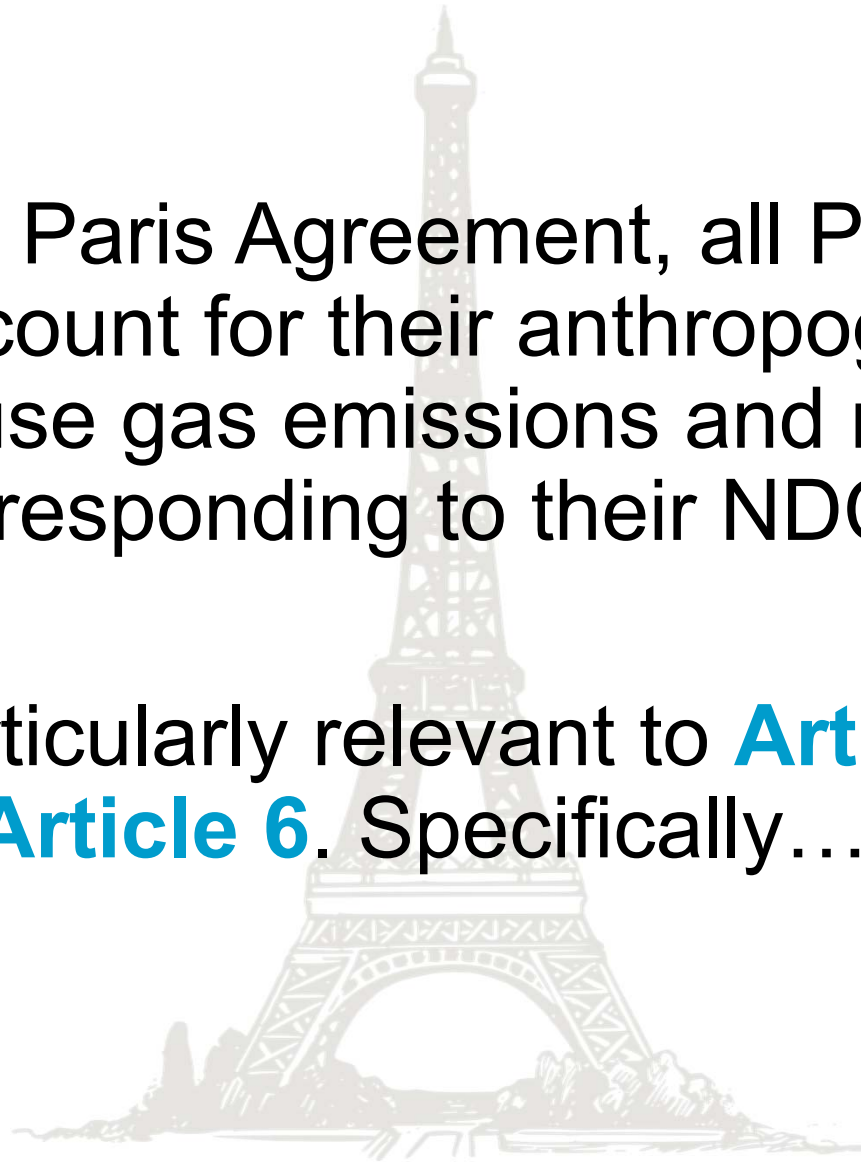
# OUTLINE

1. Accounting under the Paris Agreement
2. The role of accounting
3. Experience from the Kyoto Protocol
4. Designing PA Accounting
5. Progress under the negotiations
6. General reflections

# 1. ACCOUNTING UNDER THE PARIS AGREEMENT

Under the Paris Agreement, all Parties are to account for their anthropogenic greenhouse gas emissions and removals corresponding to their NDCs.

This is particularly relevant to **Article 4** and **Article 6**. Specifically...



# 1. ACCOUNTING UNDER THE PARIS AGREEMENT

**Article 4.13 states:**

**“Parties shall account for their nationally determined contributions.** In accounting for anthropogenic emissions and removals corresponding to their nationally determined contributions, Parties shall promote environmental integrity, transparency, accuracy, completeness, comparability and consistency, and ensure the avoidance of double counting, in accordance with guidance adopted by the Conference of the Parties serving as the meeting of the Parties to this Agreement.”

**UNFCCC 1/CP.21 paragraph 31 calls on the APA:**

**“to elaborate**, drawing from approaches established under the Convention and its related legal instruments as appropriate, **guidance for accounting for Parties’ nationally determined contributions**, as referred to in Article 4, paragraph 13...”

# 1. ACCOUNTING UNDER THE PARIS AGREEMENT

UNFCCC 1/CP.21 paragraph 31:

...which ensures that:

- (a) Parties account for anthropogenic emissions and removals **in accordance with methodologies and common metrics assessed by the Intergovernmental Panel on Climate Change** and adopted by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement;
- (b) Parties **ensure methodological consistency, including on baselines, between the communication and implementation of nationally determined contributions**;
- (c) Parties **strive to include all categories of anthropogenic emissions or removals** in their nationally determined contributions and, **once a source, sink or activity is included, continue to include it**;
- (d) Parties shall provide an **explanation of why any categories of anthropogenic emissions or removals are excluded**;

# 1. ACCOUNTING UNDER THE PARIS AGREEMENT

## Article 6.2 states:

“Parties shall, where engaging on a voluntary basis in cooperative approaches that involve the use of internationally transferred mitigation outcomes towards nationally determined contributions, promote sustainable development and ensure environmental integrity and transparency, including in governance, and **shall apply robust accounting** to ensure, inter alia, the avoidance of double counting, consistent with guidance adopted by the Conference of the Parties serving as the meeting of the Parties to this Agreement”

## UNFCCC 1/CP.21 paragraph 36 calls on SBSTA:

“to **develop and recommend the guidance** referred to under Article 6, paragraph 2...”

# 1. ACCOUNTING UNDER THE PARIS AGREEMENT

## What's next under the negotiations?

- Parties will **continue to discuss** the details of the accounting guidance for both topics at SBSTA 47 and APA 1.4 in November.
- Parties may **submit views** on accounting to the APA by 15 September 2017 and to SBSTA by 2 October 2017.
- The APA 1.3 co-facilitators together with the secretariat, will produce **a non-paper capturing convergence, divergence and options** by 15 October 2017.

## 2. THE ROLE OF ACCOUNTING

### What is the purpose of accounting?

- Tracking progress toward targets
- Participating in cooperative approaches under Article 6
- Achieving comparability of efforts
- Understanding ex-ante global emissions and emissions reductions in aggregate
- Facilitating the evaluation and assessment of progress and achievement of NDCs



## 2. THE ROLE OF ACCOUNTING

**Accounting rules are critical at various points of time for contributions:**

- **Before implementation:** Accounting rules define “what counts” and lay out a clear framework for assessing progress and achievement.
- **During implementation:** Accounting rules define how Parties track and report progress toward their contributions in a comparable and transparent manner, which can build confidence and accountability that contributions are actually being implemented.
- **After implementation:** Accounting rules define how Parties assess whether their contributions have been achieved.

## 2. THE ROLE OF ACCOUNTING

### How will accounting support the PA?

- Support the **transparency framework**
  - Support the **tracking of progress of NDCs** under Article 13.7
- Support **participation in internationally transferred mitigation outcomes** under Article 6.2
- Support the **global stocktake** to assess collective progress towards achieving the purpose of this Agreement and its long-term goals under Article 14

## 2. THE ROLE OF ACCOUNTING

- ensure the avoidance of double counting (Articles 4 and 6)
- ensure accordance with methodologies and common metrics assessed by the Intergovernmental Panel on Climate Change (para 31)
- ensure methodological consistency, including on baselines, between the communication and implementation of nationally determined contributions (para 31)
- strive to include all categories of anthropogenic emissions or removals in their nationally determined contributions and, once a source, sink or activity is included, continue to include it (para 31)
- request an explanation of why any categories of anthropogenic emissions or removals are excluded (para 31)

### 3. EXPERIENCE FROM THE KYOTO PROTOCOL

Accounting under the KP	Accounting under the PA
“Unitized” GHG targets	“Non-unitized” NDCs
Applicable to Annex 1 Parties	Applicable to all Parties
Cooperation through JI and CDM	Cooperation through ITMOs and emission reductions under Article 6.4
Linked to review and compliance	Linked to review of progress under Art 13 but not explicitly to compliance

### 3. EXPERIENCE FROM THE KYOTO PROTOCOL

Accounting under the KP	Accounting under the PA
Common GHG target type (base-year target)	Different GHG target types (fixed-level, base-year, BAU, GDP-linked, peaking, per-capita, as well as non-GHG targets)
Common base-year ( <i>for the most part</i> ) and commitment periods	Different time frames and time periods
Transfers and acquisitions of emissions units are tracked and recorded through a registry system	System for tracking internationally transferred mitigation outcomes yet to be defined

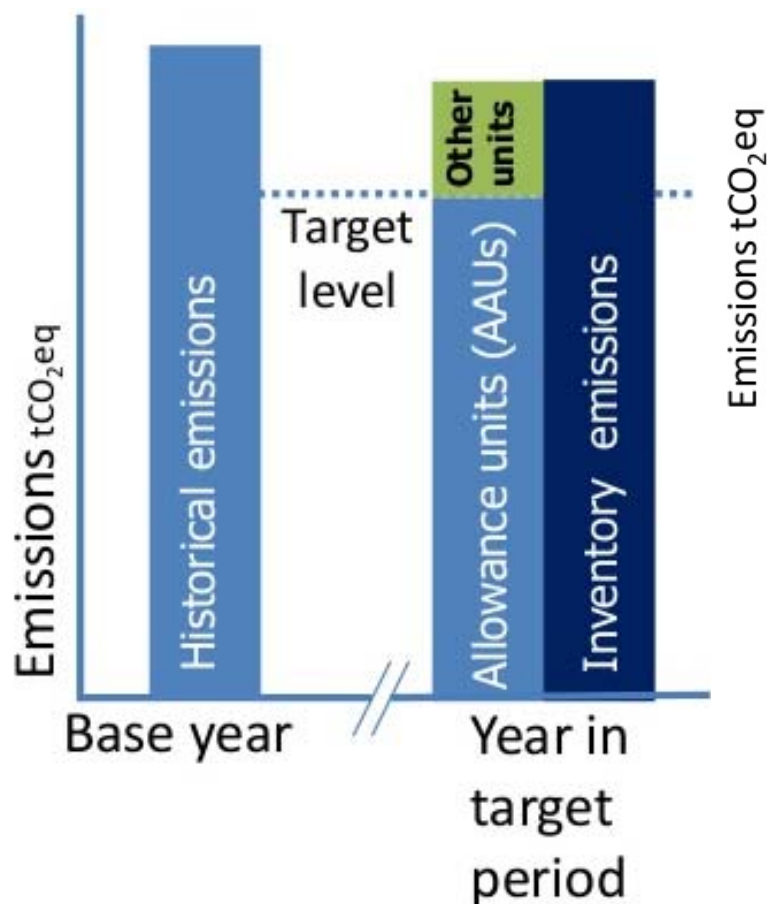
### 3. EXPERIENCE FROM THE KYOTO PROTOCOL

**Question: How can KP accounting guidance provide a basis for developing the PA accounting guidance if:**

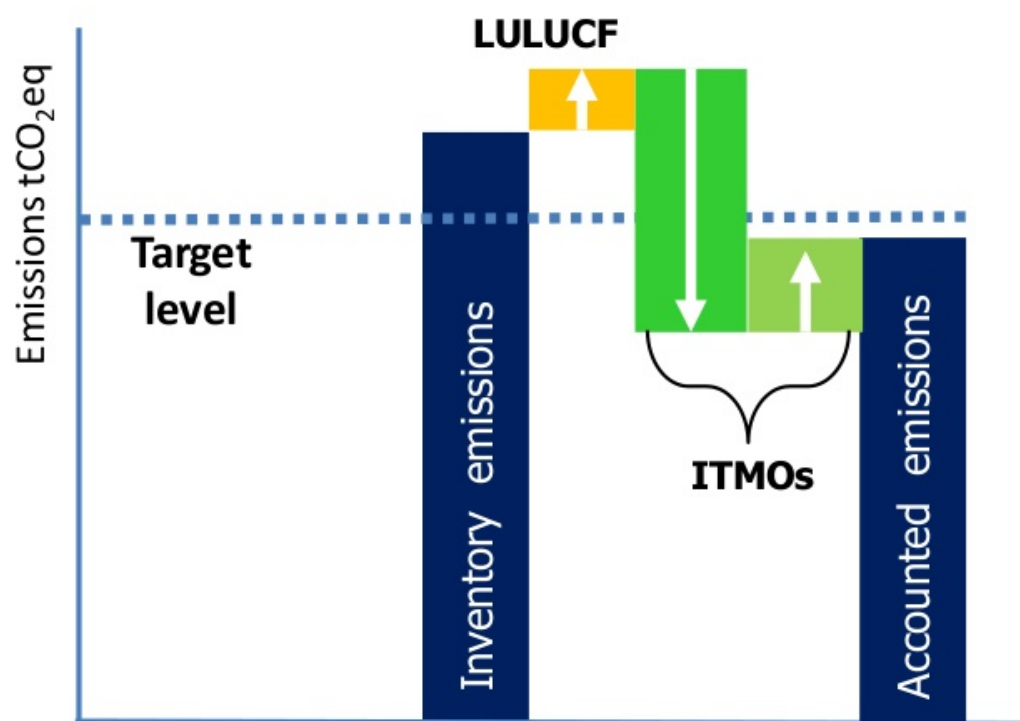
1. The accounting needs of the PA are so different from the accounting needs of the KP
2. The target types are more diverse under the PA than under the KP
3. Developing country Parties are allowed flexibility in implementing the requirements of the PA?

## 4. DESIGNING PA ACCOUNTING

### KP Accounting

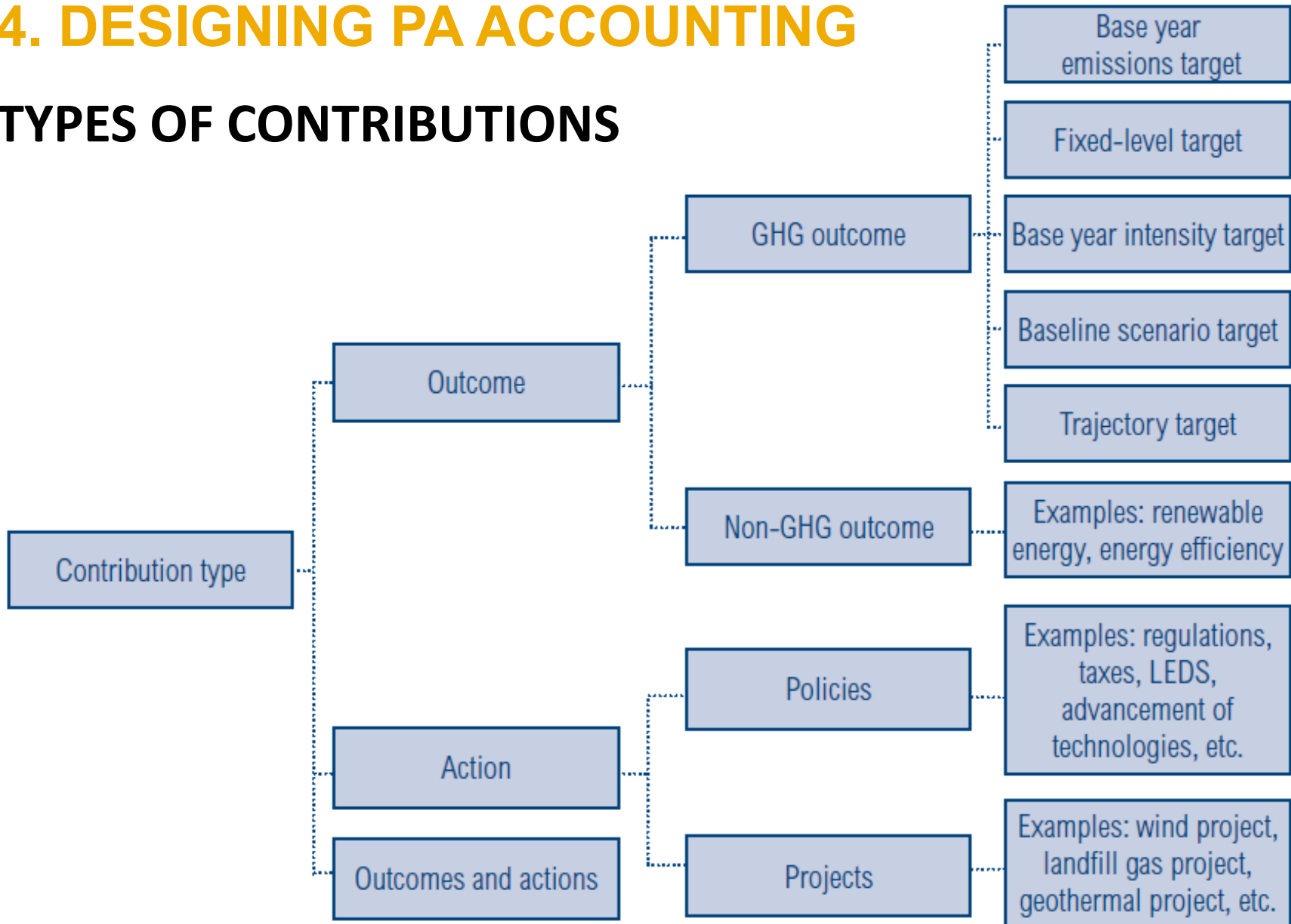


### PA Accounting



# 4. DESIGNING PA ACCOUNTING

## TYPES OF CONTRIBUTIONS





# 4. DESIGNING PA ACCOUNTING

## COMPLEXITY OF ACCOUNTING

Simplest
Most complicated

Target type	Use of ITMOs	Land sector accounting
Fixed level	No	Inventory approach
	Yes	Special accounting approaches
Base year	No	Inventory approach
	Yes	Special accounting approaches
Base year intensity	No	Inventory approach
	Yes	Special accounting approaches
Baseline scenario	No	Inventory approach
	Yes	Special accounting approaches

## 4. DESIGNING PA ACCOUNTING

### NEW ACCOUNTING NEEDS

- For intensity targets:
  - Data sources for unit of output
- For baseline scenario targets:
  - Whether dynamic/static; If dynamic, recalculation policy
  - Inclusion of policies in baseline scenario and cut off year for inclusion
  - National institutions/procedures for baseline development
  - Assumptions for key drivers, projection methods, and data sources
- For actions:
  - Common guidelines on how to define the assessment boundary, define a baseline scenario, address interactions with other policies and actions, and estimate or describe the uncertainty of the estimates
  - If not possible, reporting requirements disclosing methodologies and assumptions used and the uncertainty of the results.

## 4. DESIGNING PA ACCOUNTING

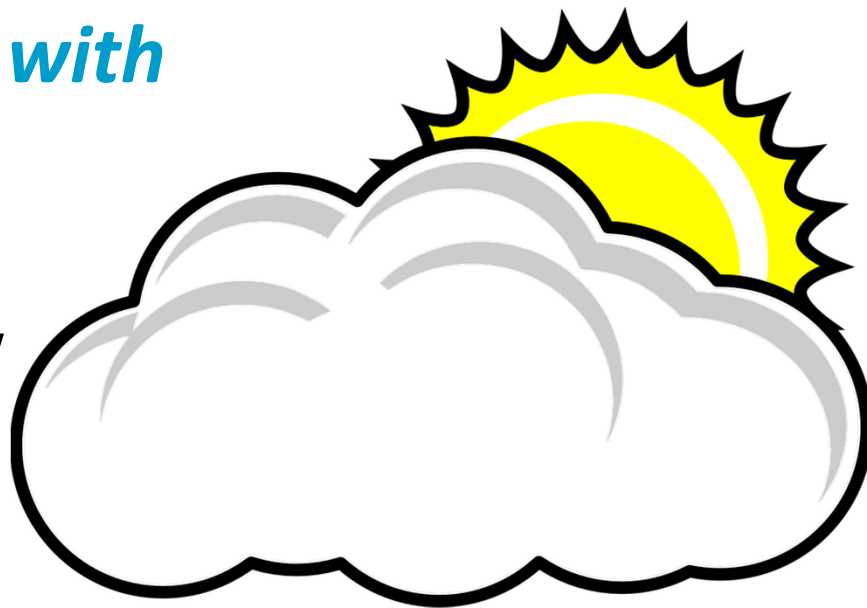
A significant amount of accounting guidance has been created and stand as ready resources for the accounting guidance under the PA including:

- the REDD+ framework
- GHG Protocol Mitigation Goal Standard
- GHG Protocol Policy and Action Standard
- ICAT Methodologies and Guidance

## 5. PROGRESS UNDER THE NEGOTIATIONS

### Weather forecast: *foggy with a chance of sunshine*

- Undefined relationship with Article 13 reporting and review requirements
- Undefined relationship between Article 4 and Article 6
- Different understandings of the meaning of “accounting”
- Should guidance have a common minimum for all NDC types, or be fully differentiated
- Undefined relationship between GHG inventories and accounting of NDCs (is this different for different NDC types)
- How should flexibility be provided



## 5. PROGRESS UNDER THE NEGOTIATIONS

### OPPORTUNITIES

- Convergence over time towards common inventory methodologies
  - As countries gain more capacity on inventories, could have eventual convergence on inventory methodologies
    - *Need for further capacity building in many countries*
- Principles for land sector accounting, including for coverage of emissions and removals in the sector
  - Principles that increase coverage of emissions and removals over time → *increase comparability*
- Principles to guide for accounting for internationally transferable emissions units, including principles to ensure the quality of units and the prohibition of double counting

## 5. GENERAL REFLECTIONS

- a) Consider priorities and trade-offs: for example, supporting the understanding of progress of individual NDCs vs. understanding collective progress toward the goals of the agreement (are these at odds or mutually achievable?)
- b) Consider the major accounting challenges and gaps
- c) Consider capacity building needs (current and future as Parties continue to improve their domestic accounting systems)

# ANY QUESTIONS?

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