

EMISSIONS TRADING REGISTRIES

Guidance on
Regulation,
Development,
and Administration

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**PMR Workshop “Post-2020 Accounting:
Implications for Carbon Pricing and Registries**
Hanoi, Vietnam – 17 October 2016

Overview

- Part I: PMR/FCPF Guidance Report on Registries
 - Main Findings of the Guidance Report
 - Key Messages for Policy Makers
- Part II: Future Role of Registries
 - The Paris Agreement and Registries
 - A Future Landscape of Carbon Transactions

PMR Work on Registries

Rationale

- Issues around the environmental integrity of market mechanisms – esp. double counting – have gained a great deal of attention as more and more countries pursue such approaches domestically.
- Increasing relevance of registries in the context of the Paris Agreement, and the recently agreed Agreement on Carbon Offset and Reduction Scheme for International Aviation.
- Significant amount of time and capacity is needed for the development of registries.
- It is critical for countries that are in the process of designing market mechanisms to factor in specific regulatory, administrative, functional, and technical aspects of registry development.

PMR/FCPF Guidance Report on Registries

TEAM OF EXPERTS WHO PREPARED THE REPORT:

- Frederic Dinguirard (Andal Conseil)
- Charlotte Streck and colleagues (Climate Focus)
- Peter Zaman (Reed Smith)
- Zhang Xiaoguang (Sinocarbon)
- Phil Brookfield (Tripple Bottom Line)
- World Bank (PMR & FCPF teams)



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PMR/FCPF Guidance Report on Registries

THREE KEY QUESTIONS FOR POLICY MAKERS:

1. What type of registry systems would be the most suitable for my country?
2. What legal and administrative arrangements need to be put in place?
3. What resources are required for implementation?



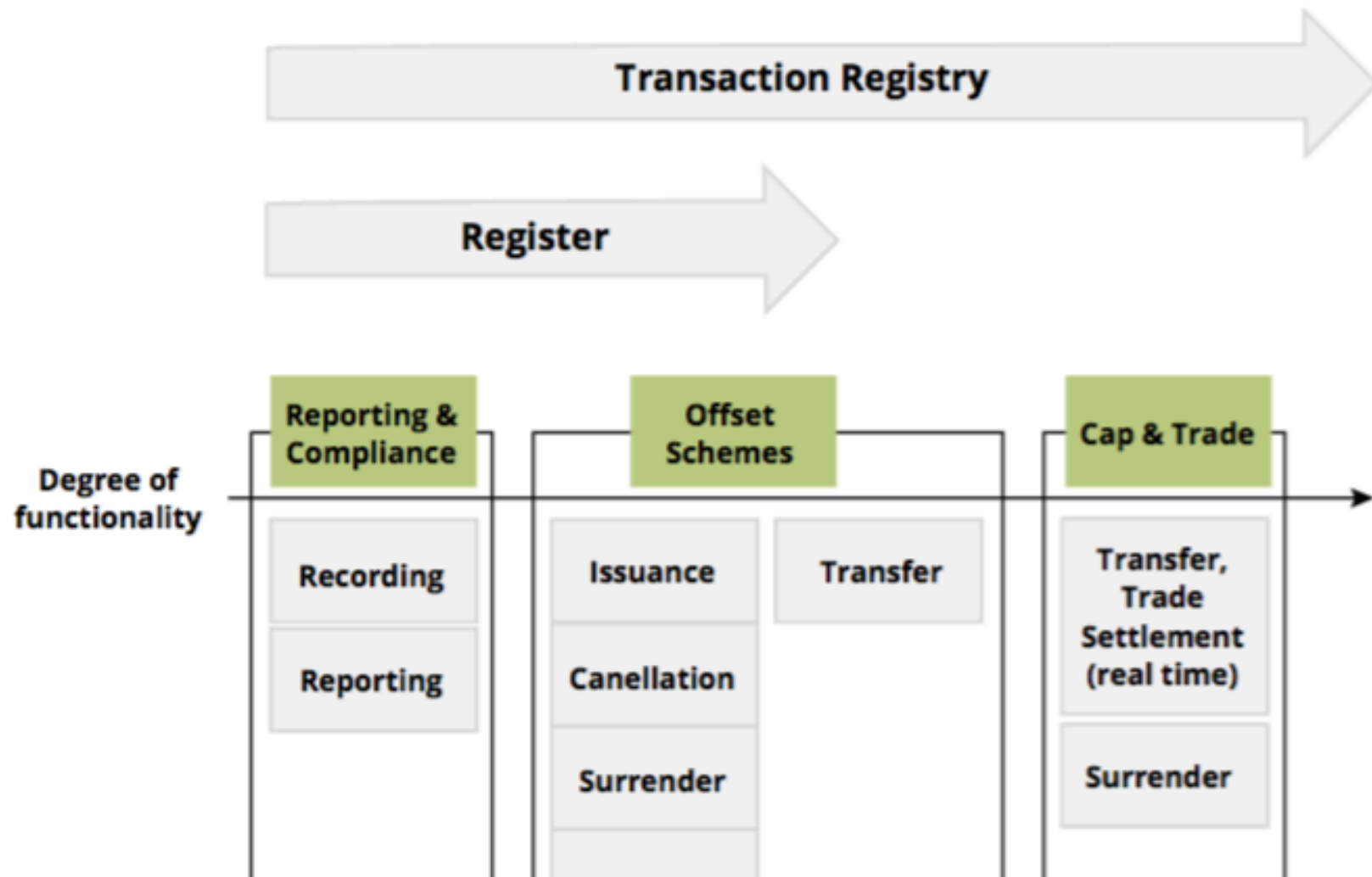
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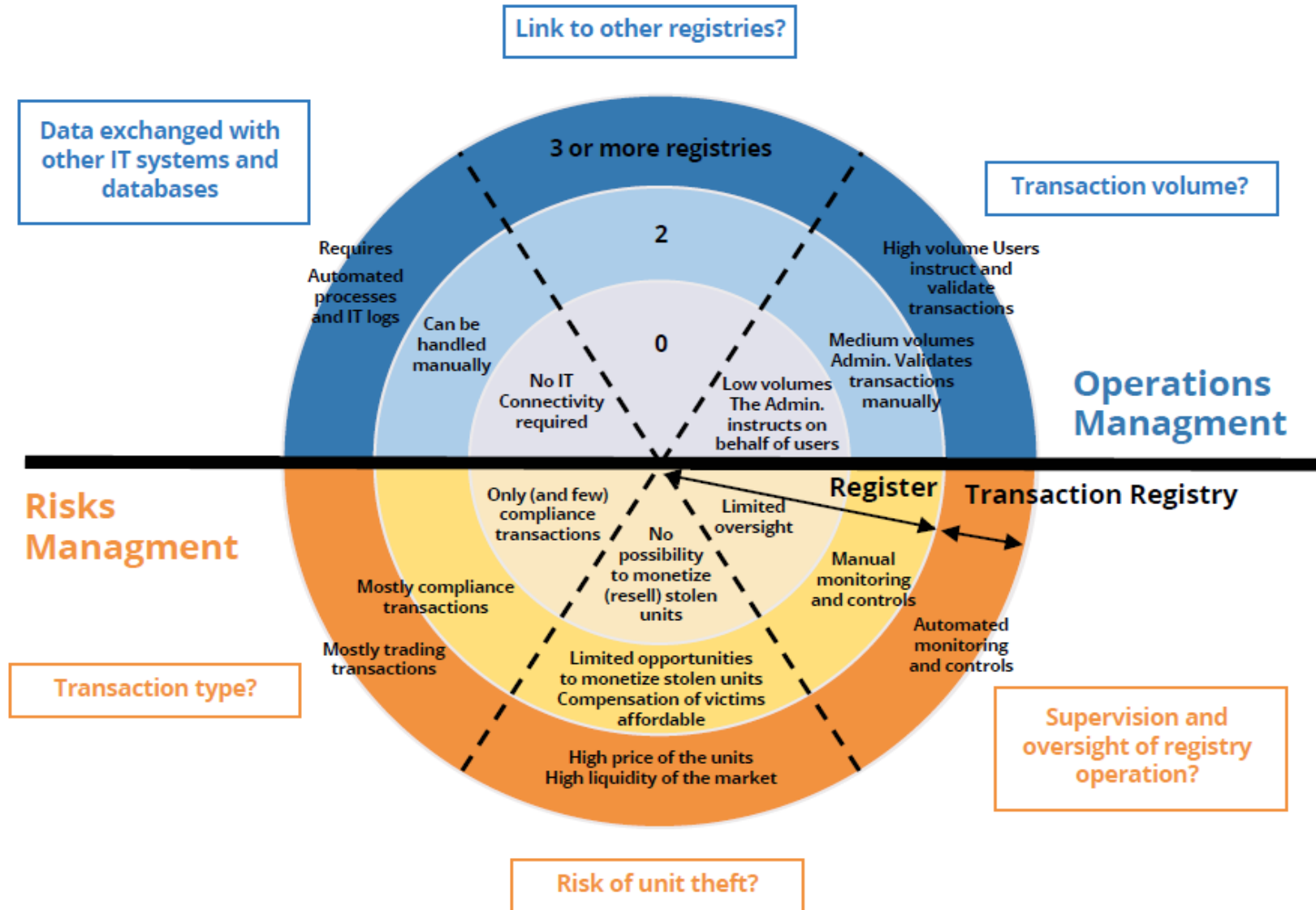
REPORT STRUCTURE:

- PART I. Registries: Introduction and Design Options
- PART II. The Legal Framework
- PART III. The Institutional Framework And Registry Administration
- PART IV. IT System Procurement and Development
- PART V. Registry Requirements for Emerging Market Mechanisms and Results-Based Climate Finance Programs: The Example of REDD+

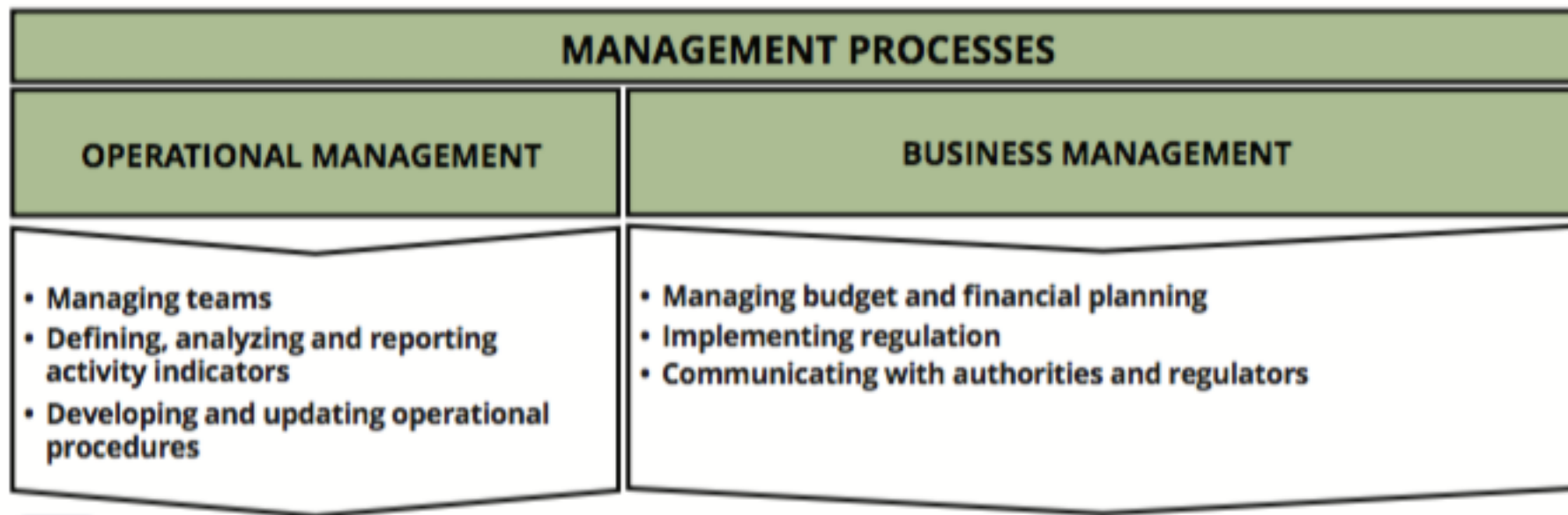
Registries : Main Functions



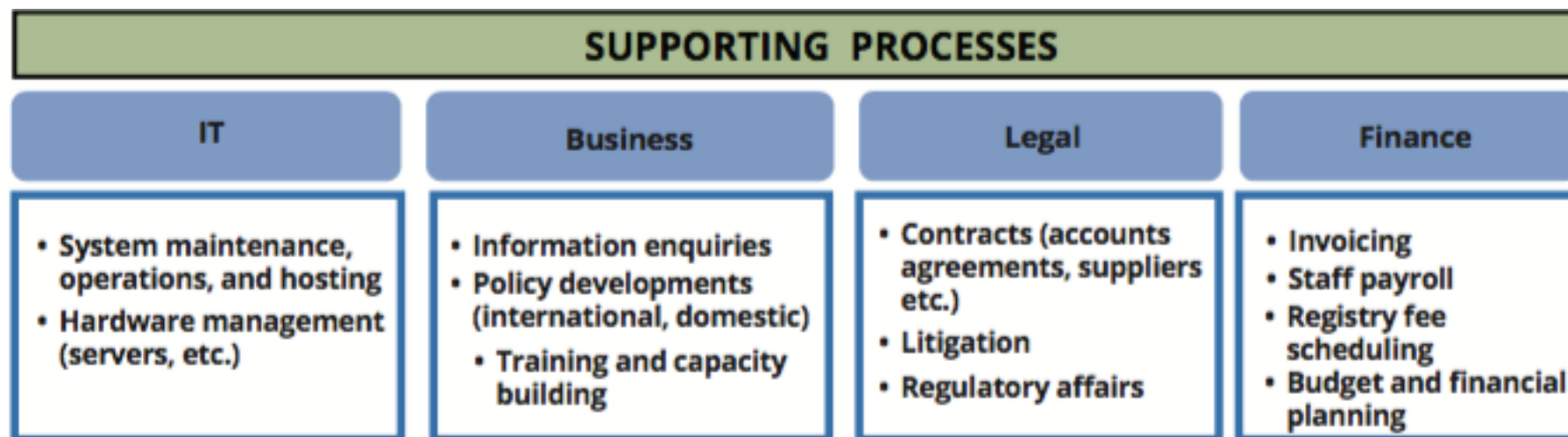
Which Level of Complexity is Needed?



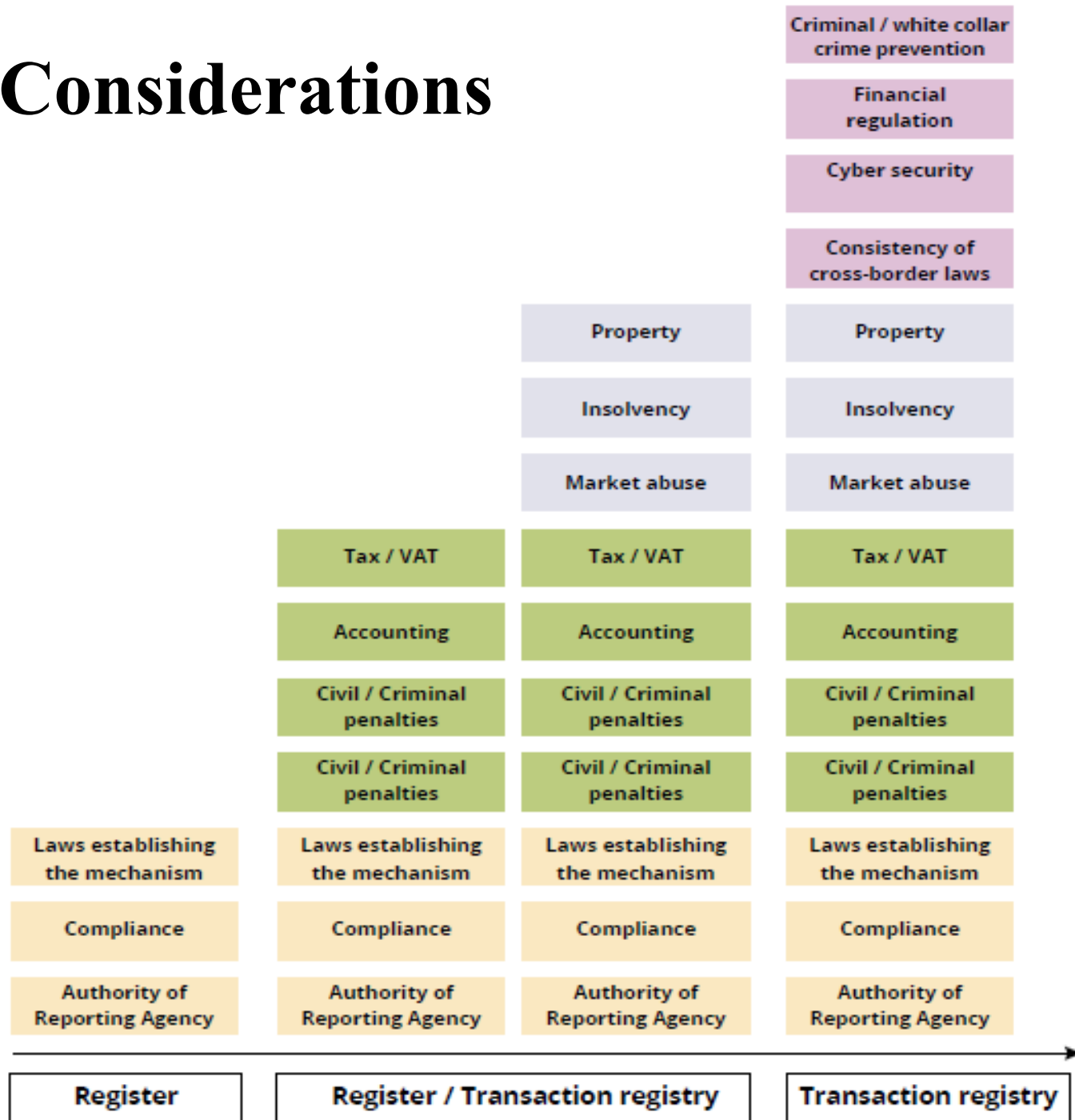
Operational and Administrative Processes



Registry Operation and Client Relations



Legal Considerations



Cost Considerations

- Registry development and administration require financial resources and, where these costs are not (fully) covered with domestic and/or international public funding, one option is to charge a fee for a range of registry operations and services.
- When deciding on the fee structure, the following parameters should be considered:
 - *Equitable treatment and acceptable prices*
 - *Predictability and timing of revenue to recover registry costs*
 - *Simplicity*
 - *Participation and access*

Key Message for Policy Makers

1. Keep it simple – functionality should follow needs.
2. Build to the extent possible on existing legal and institutional systems.
3. Fees can help to support the registry but should not be prohibitive.



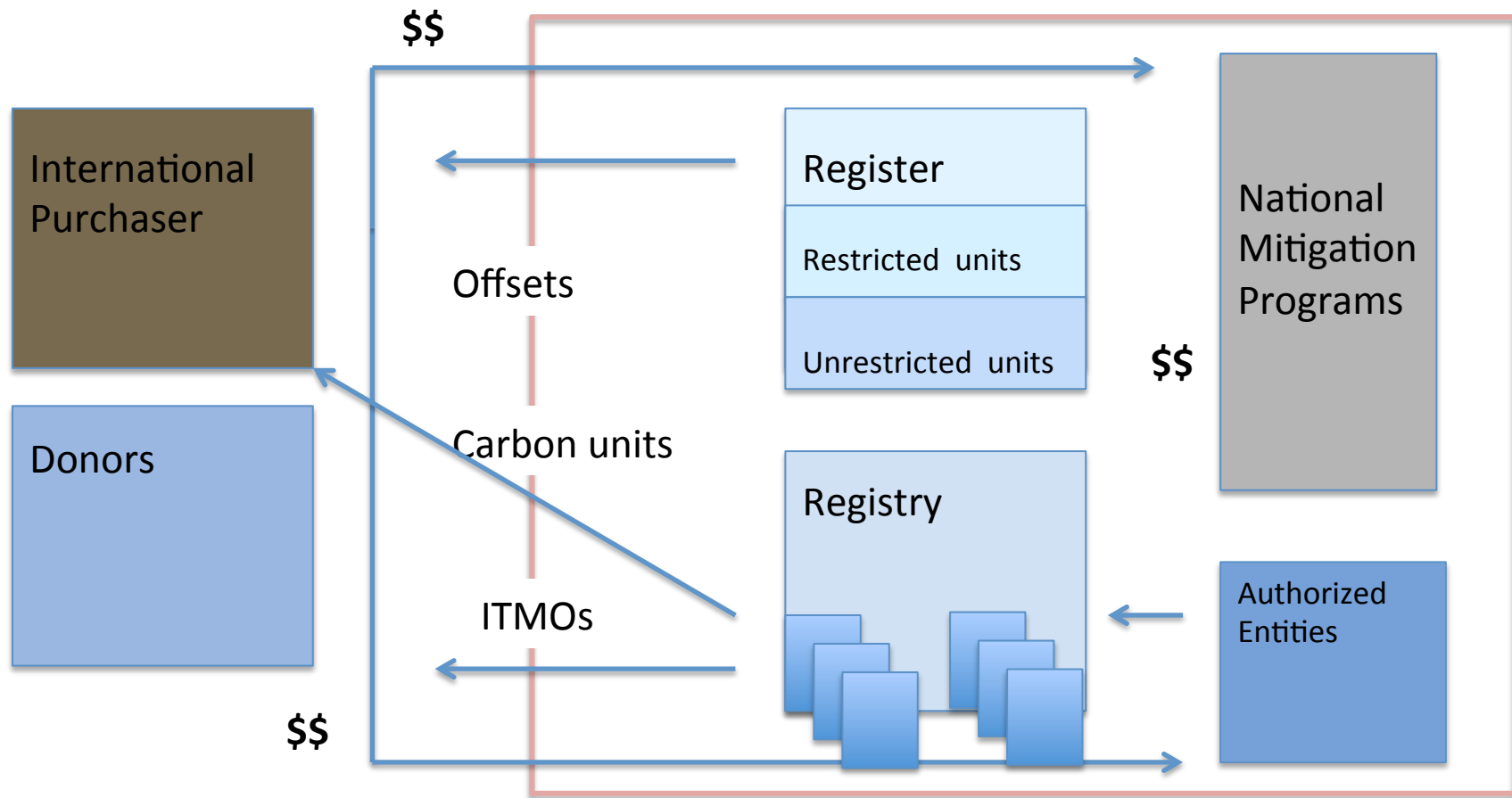
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Mitigation under the Paris Agreement (PA)

- **Mitigation actions under the PA:**
 - bottom-up, voluntary contributions
 - A (hopefully) self-implementing framework for increasingly ambitious mitigation action
 - Such action will cover a wide-range of policies and measures, including carbon pricing instruments
- **Cooperation under the PA**
 - Enables market-transactions but does not define a trading structure
 - No common accounting framework
 - Links between country-driven systems

Paris Agreement (PA): Registry Functions

- A wide variety of transaction types and corresponding units



Paris Agreement (PA): Risk Management

The lack of a common accounting framework and centrally administered and regulated institutions, makes risk management even more important!

Compared to the KP, risk management now also includes:

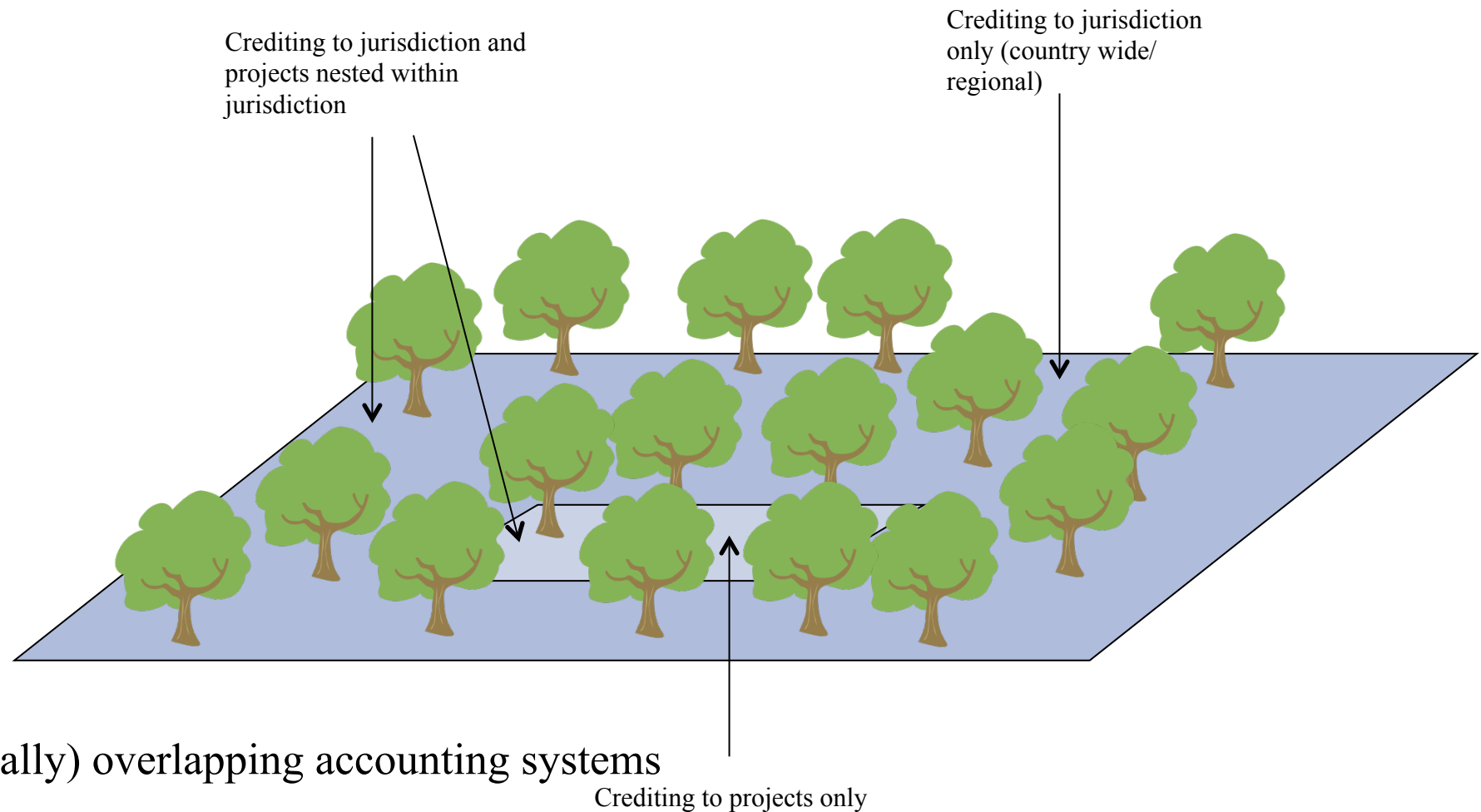
Definition of national criteria for unit compliance with NDC

Identification of units that can be transferred (or not)

Additional checks on the generation, calculation, and issuance of units (link to unit that manages contracts)

Nesting of national, subnational and project levels

Scale: Accounting Across Various Levels (‘Nesting’ example LULUCF)



Nesting: Decision Making

Steps to integrate subnational programs and projects into a national integrated carbon accounting framework

Step	1. Assess ongoing mitigation activities	2. Set scope and objectives	3. Design technical approach to accounting	4. Plan and prioritize the nesting roll out
Objectives	Understand the carbon accounting underway in ongoing and planned mitigation programs	Define the scope and objectives of the nested accounting system including how technical standards will be met	Develop the technical components of the nested accounting system	Document and communicate the process for rolling out nested accounting
Outputs	A report on the status of carbon accounting in the country	A strategy paper on the scope and objectives of the nested accounting system	A nested accounting system design	A nested accounting system plan for implementation

The technical approach will consist of:

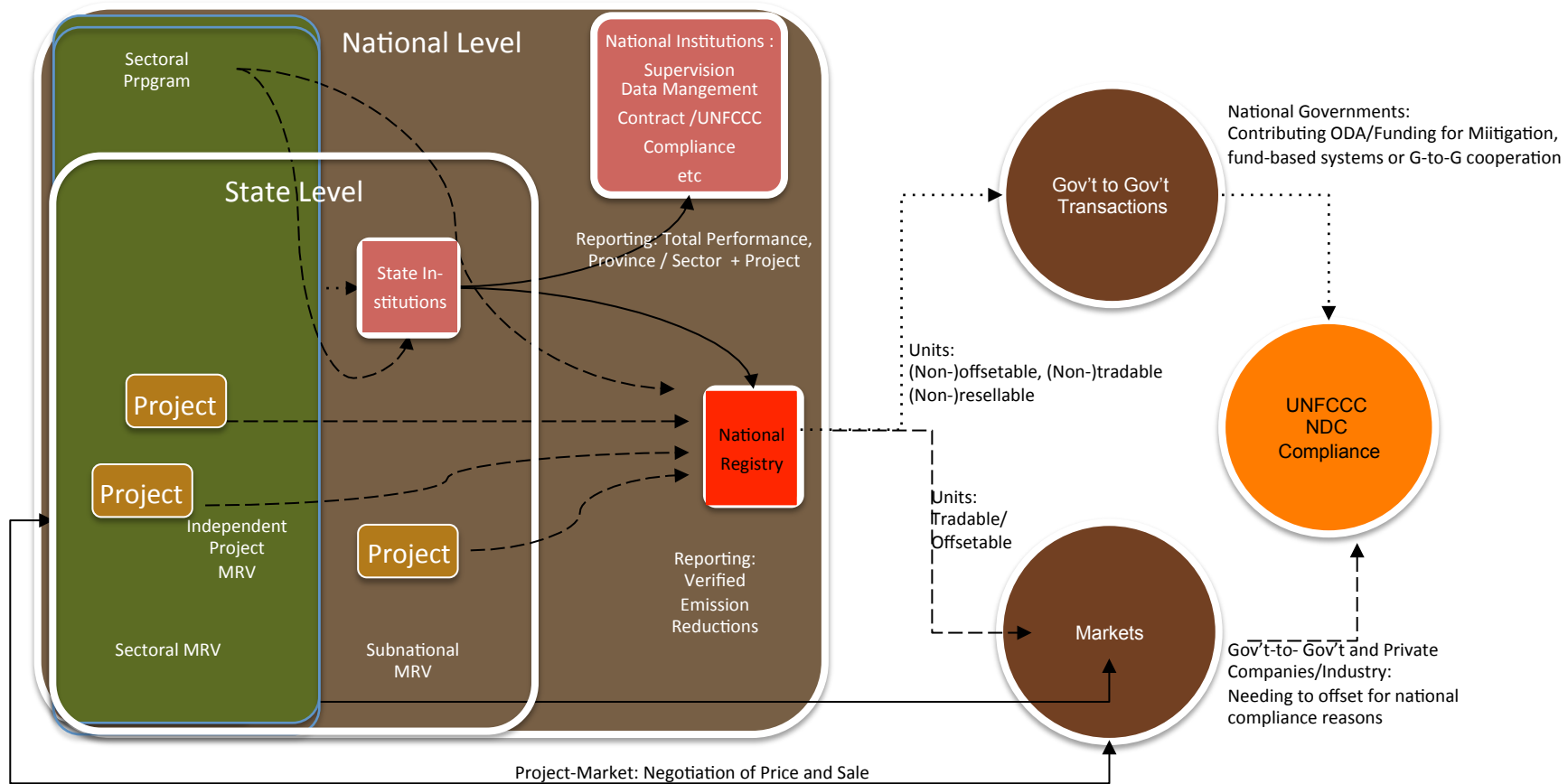
- Step 3.1: Decide on a broad approach to nesting
- Step 3.2: Set RLs and establish link to national inventories
- Step 3.3: DECIDE ON REGISTRY SET UP**
- Step 3.4: Set rules for existing projects or subnational programs
- Step 3.5: Decide how to manage reversal risks
- Step 3.6: Decide how to manage leakage
- Step 3.7: Define reporting and verification procedures

Scope: Sectoral Crediting

Sectoral crediting is likely to lead to additional accounting challenges: REDD+, NAMA-crediting, bilateral contract covering sectoral programs

- (Vertically) overlapping accounting systems -> *checks and consolidation of units in registries*
- Links to various donors, purchasers, and ET systems -> *additional complexity associated with linking of systems*

Central Function of Registries in a Fragmented Accounting Landscape



Gesellschaft für internationale Zusammenarbeit. Giz. dapted: Climate Focus October 2016

Discussion Points

- What is the role of the UNFCCC/PA in developing a unified accounting system (and a registry hub at the international level)?
- What does the emerging landscape mean for governments that have already invested in registry development / or are doing so now?
- What are the registry implications of the recent ICAO Decision?

Thank you!

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