



Introduction to Transparency, MRV and Carbon Markets



Ricardo
Energy & Environment



MRV
CAPACITY DEVELOPMENT
PROJECT - TURKEY

Scope

- Transparency under the Paris Agreement
- Monitoring, reporting and verification
- Carbon Markets and their MRV



Paris Agreement



Paris Agreement - Status of Ratification



On behalf of:

Source:
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Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

Transparency in the Paris agreement I

- The agreement refers to MRV activities linked to INDC objectives as the *transparency framework*.
- Common requirements for all countries
- Flexibility to be granted based on national capabilities - transparency to be improved over time
- The processes and guidelines of the transparency framework will be developed by the Special Working Group on the Paris Agreement – developed by 2018, formally approved by 2020
- Global stocktake in 2023

Transparency in the Paris agreement II

- Existing reporting and review processes and experiences with these to be considered in development of the processes and guidelines
- Parties are to regularly report on:
 - GHG inventories in line with IPCC guidelines
 - Necessary information to track achieved progress on the application and fulfillment of your INDC.
 - Information on mitigation and adaptation impacts
 - Information on required and received support
- Information to be reviewed in a two-step process



MRV: Key concepts – what is MRV?

M = Measurement / Monitoring

R = Reporting

V = Verification/Validation

Monitoring, reporting and verification are key elements to guarantee improved **transparency, precision** and **comparability** on climate change information

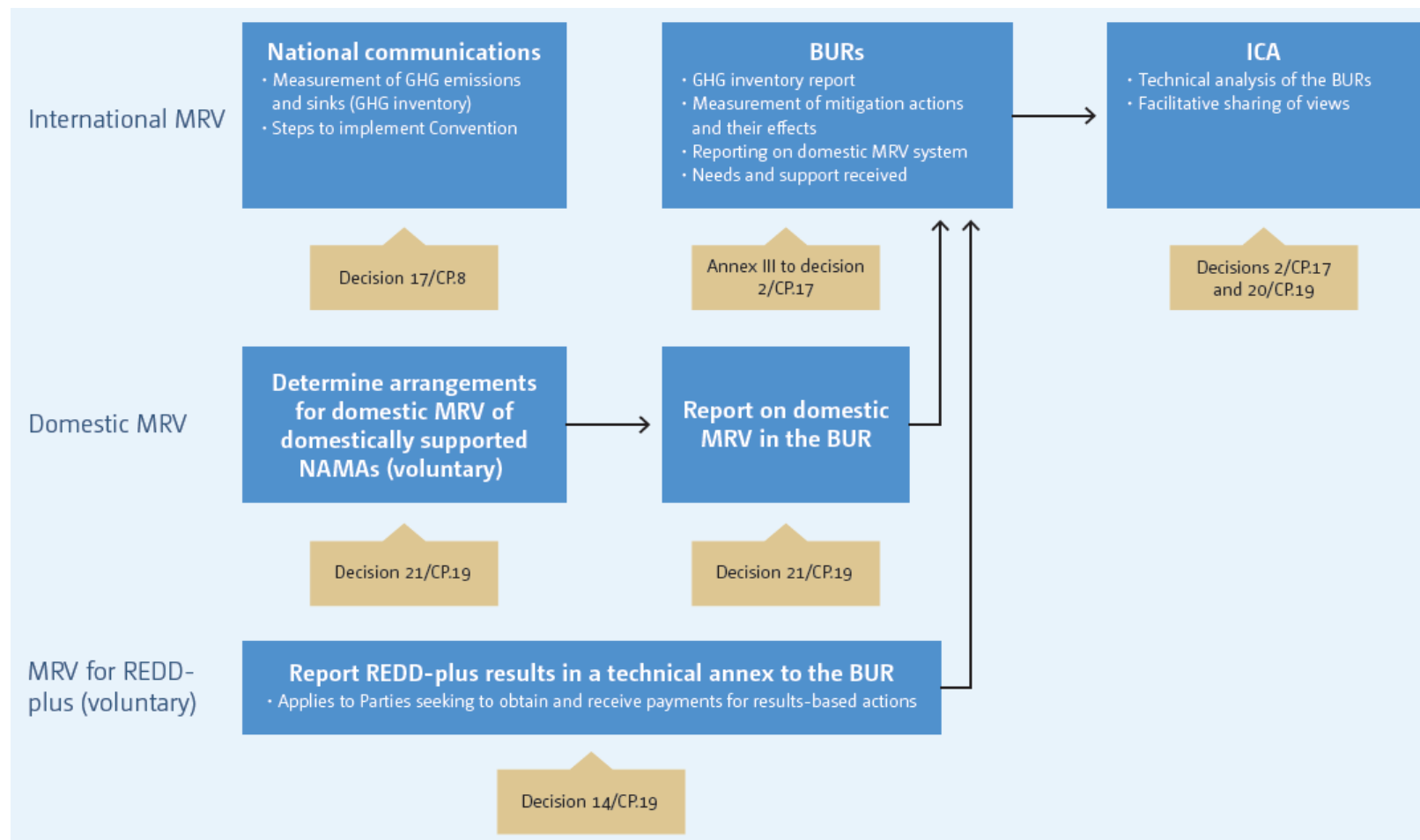
MRV can be considered a knowledge management system for the monitoring of:

- **GHG** levels
- **Mitigation activities and their impacts**
- **Support** linked to climate change (needed and received)

After the Paris Agreement, MRV theory can also include adaptation.



International Requirements

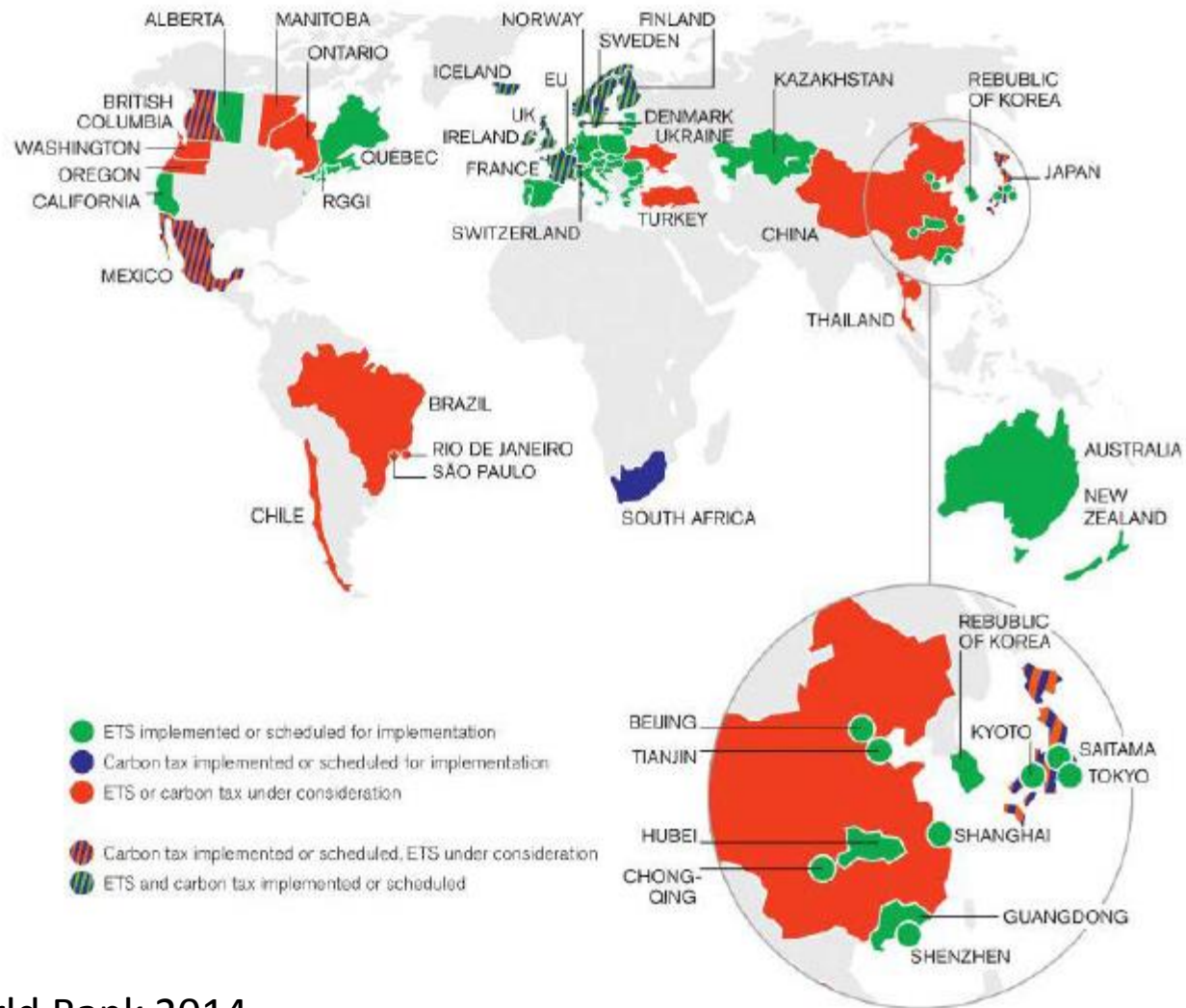


Carbon Market Mechanism

- Common approach: putting a price on GHG emissions
- Aims to incentivize reductions where they are feasible at least cost
- Most common approaches:
 - Carbon taxes (planned for South Africa)
 - Price set by authorities
 - Fixed price allows easier investment planning for emitters
 - No overall GHG emission limit
 - Cap and trade systems (e.g. China ETS, EU ETS)
 - Overall amount of certificates limited – reduction target easily achieved
 - Certificate price forms on the market – less planning certainty
 - Reduction certificate systems (CDM, VER, etc)
 - Reduction calculated compared to a baseline
 - Price forms on markets



Carbon markets in 2014 (in operation and planned)



MRV for Carbon Market Mechanisms

- Well-functioning trading mechanisms require trust in the market: „A ton is a ton“
- Rigorous MRV contributes to trust:
 - High accuracy and comparability of approaches is required
 - Third party verification
- MRV processes increase transaction costs – well known problem in CDM
- How to balance rigor and costs?



Future developments of Carbon Market Mechanisms

Carbon Market Mechanisms previously discussed:

- New Market Mechanism
- Framework of Various approaches
- CDM?

Approach under the Paris Agreement:

- Paris Agreement Art.6 allows trading GHG reductions
- Tradable reductions are referred to as „internationally tradable mitigation outcomes“ – ITMOs
- In trading of ITMOs, sustainable development to be promoted, environmental integrity to be ensured
- Mechanism related to trading and aiming to support sustainable development and mitigation in host countries is established
- A party selling ITMOs cannot use them towards achieving their NDC target



Summary

- Paris Agreements sets out common MRV requirements for the first time
- Specific modalities and guidelines to be developed by 2018
- Existing MRV processes under the UNFCCC and experiences made to be considered as input
- MRV is a concept allowing to track progress towards climate change-related targets and steer mitigation actions so the targets can be achieved
- Carbon market mechanisms are a type of mitigation actions allowing to reduce emissions where this is possible at the lowest cost
- Where carbon market mechanisms involve trading, rigorous MRV is required
- Rigor and costs in MRV have to be balanced
- The Paris Agreement includes general provisions on carbon trading
- Sold reductions cannot be used towards the reduction targets expressed in countries NDCs



Thank you for your attention!

Any Questions?





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