



Double Counting in the Paris Agreement

Climate Focus Client Brief on the Paris Agreement II
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The Paris Agreement

On December 12, 2015, 195 Nations adopted in Paris an agreement that binds all Parties to a common climate goal and framework for action. The Paris Agreement establishes an obligation to all Parties to put forward nationally determined contributions (NDCs) that formulate a country's mitigation strategies and goals. It is the first universal climate treaty that requires mitigation pledges from all nations (Art. 4.2). The Agreement builds in significant flexibility in meeting the commitments. Parties can put forward joint NDCs (Art. 4.16), can cooperate in meeting NDCs (Art. 6.2) and can engage in a mechanism that contributes to mitigation and sustainable development (Art. 6.4). All three flexibility approaches carry the risk of double counting.

This risk of counting mitigation benefits double could jeopardize the environmental integrity of the Agreement. Mindful of this risk, the Paris Agreement therefore calls for clear provisions to prevent double counting of emission reductions by Parties, as well as public and private authorized entities (Art. 4.13; Art. 6.2, 6.5).

This Climate Focus Client Brief will explain the double counting challenge and explain how it is relevant to the Paris Agreement.

What is double counting?

In the context of climate change mitigation, double counting is widely used to describe situations where a single greenhouse gas emission reduction or removal is used more than once to demonstrate compliance with mitigation targets. Double counting becomes prominent where multiple mitigation mechanisms overlap over sources or sinks and when emission reductions are transferred among entities subject to mitigation targets and accounted towards them.

Such double counting may take the following forms:

- a) **Double claiming**, where two or more Parties claim the same emission reduction to comply with their mitigation targets as formulated in the NDCs.
- b) **Double issuance**, whereby more than one emission reduction unit is registered for the same mitigation benefit under different mitigation mechanisms, such as under the sustainable development mechanism and an NDC.

Other forms of double counting, such as double purpose, double finance, or double use (see below) are also known but less relevant to the accounting concerns of the Paris Agreement.

Why should double counting be avoided?

Double counting needs to be avoided in order to preserve the environmental integrity of the mitigation mechanisms generating emission reductions and therefore of the mitigation regime under which they operate. Emission reductions being counted more than once implies an overestimation of mitigation results, so

failing to prevent double counting could hinder the achievement of internationally agreed mitigation objectives and undermine the credibility of the climate regime.

How does double counting stand out in the Agreement?

Accounting for NDCs

Article 4.13 of the Paris Agreement requires Parties to avoid double counting in the accounting of their NDCs, in accordance with guidance adopted by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (COP/MPA).

Voluntary cooperation

Specifically, Article 6.1 of the Paris Agreement recognizes that some Parties may choose to pursue voluntary cooperation in the implementation of their NDCs, including (Article 6.2) engaging on a voluntary basis in cooperative approaches that involve the use of

'internationally transferred mitigation outcomes towards nationally determined contributions'.

If Parties decided to transfer mitigation outcomes they *'shall apply robust accounting to ensure, inter alia, the avoidance of double counting, consistent with guidance adopted by the [COP/MPA]'.*

Furthermore, Article 6.4 establishes a sustainable development mechanism to contribute to the mitigation of greenhouse gas emissions and support sustainable development which shall aim, among others,

'to incentivize and facilitate participation in the mitigation of greenhouse gas emissions by public and private entities authorized by a Party'; and "to contribute to the reduction of emission levels in the host Party, which will benefit from mitigation activities resulting in emission reductions that can also be used by another Party to fulfill its nationally determined contribution" while delivering an 'overall mitigation in global emissions'.

Importantly, Article 6.5 specifies that emission reductions resulting from the mechanism described above *'shall not be used to demonstrate achievement of the host Party's nationally determined contribution if used by another Party to demonstrate achievement of its nationally determined contribution'.*

By allowing for the transfer of mitigation outcomes (emission reductions and removals), avoiding double counting becomes critically important to ensuring the environmental integrity of the Paris Agreement.

Consequently, the Subsidiary Body for Scientific and Technological Advice (SBSTA) is mandated to develop the guidance for robust accounting under Article 6.2 to ensure, inter alia, the avoidance of double counting, including guidance to ensure that *'double counting is avoided on the basis of a corresponding adjustment by Parties for both anthropogenic emissions by sources and removals by sinks covered by their [NDC] under the Agreement'* for adoption by the COP/MPA1 (Paragraph 37 Draft decision -/CP.21).

Transparency of actions

Article 13.1 of the Paris Agreement establishes a framework for transparency of action and support. The purpose of the framework for transparency of action is to provide a clear understanding of the progress in achieving the goals of the Paris Agreement. This includes tracking of progress towards achieving Parties' NDCs. With regards to this framework, the decision adopting the Agreement mandates the Ad Hoc Working Group on the Paris Agreement (APA) to develop recommendations for its modalities, procedures and guidelines for adoption by the COP/MPA1 (paragraph 92). While developing these recommendations, the APA is to consider, inter alia, that double counting is avoided (paragraph 93(f) Draft decision -/CP.21).

Enhanced action prior to 2020

Regarding pre-2020 action, the COP decision urges host and purchasing Parties to report transparently on internationally transferred mitigation outcomes, including outcomes used to meet international pledges, and emission units issued under the Kyoto Protocol with a view to promoting environmental integrity and avoiding double counting (paragraph 108 Draft decision -/CP.21).

The Paris Agreement and the decision adopting it establish a clear work agenda for the subsidiary bodies to complete before COP/MPA1, including on issues related to double counting. APA is mandated to develop guidance for accounting for Parties' NDCs, while SBSTA is to recommend guidance for possible instances related to the transfer of mitigation outcomes between Parties or authorized entities.

Examples of potential double counting under the Paris Agreement

Double claiming in the context of the transfer of 'mitigation outcomes' can take place in the context of emissions trading (the transfer of verified emission reductions) or the accounting of emission reductions for another Party without the transfer of tradable emission reductions. It can also happen between REDD+ and overlapping NDCs that cover, for example, the agriculture or wood fuel sectors.

In some cases, double claiming can also occur outside of the context of NDCs. This is mostly possible where private entities claim emission reductions to offset their emissions in parallel to governments claiming these emission reductions, or where a government has overlapping targets, with one included within its NDC while another is outside of its NDC.

Examples:

- **In the context of bilateral cooperation:** Double claiming can arise through direct cooperation between countries in achieving emission reductions, for example where Country A pays Country B for emission reductions achieved under a REDD+ Program and both countries claim the reduction toward their NDCs.
- **In the context of market mechanisms:** Double claiming can also occur through market mechanisms involving units that are eventually counted towards meeting an NDC. For example, this could occur where a sustainable development mechanism project in Country C issues units to a project developer. The project developer then surrenders them to the authorities of Country D for the purpose of meeting its obligations under the EU Emission Trading Scheme, while Country C reports the corresponding emission reduction toward its NDC.
- **Outside of the UNFCCC:** Double claiming could also occur where a private company claims emission reductions it purchased from a voluntary carbon market project in Country E and Country E also claims these toward its NDC.

Double issuance can occur either if the same program or project is registered under two different crediting mechanisms (e.g. sustainable development mechanism

and a voluntary carbon market standard) or if two different entities (e.g. the producer and user of a biofuel) register projects under the same mechanism covering the same emission reductions.

In addition to the above, there are a number of forms of double counting that, while relevant in some instances, are not considered for the purposes of this paper.

Double purpose arises in a situation where one party counts an emission reduction towards its mitigation targets, while the other counts the finance provided towards achieving its climate finance pledges. While such claiming for different purposes can pose political problems, it does not pose a technical problem and is therefore not considered under this paper.

Double use of emission reductions can finally incur where one issued unit is used twice to attain mitigation targets. This can occur if a unit is duplicated in a given registry or transferred twice, or if a unit is used toward a mitigation contribution but not subsequently retired. This form of double counting typically arises out of the improper functioning of control mechanisms, in particular registries.

Mitigation measures

While double counting is a serious risk, such risk can be managed through a number of strategies:

- (a) A robust and transparent accounting and reporting system provides the basis for ensuring accuracy of national GHG emission accounting and is a crucial tool for insuring against all forms of double claiming.

Where two or more entities cooperate to achieve emission reductions a number of additional strategies become relevant:

- (b) Registries and transaction logs are key tools for avoiding double counting in all systems that involve the meeting of NDCs through collaborative approaches or through the transfer of mitigation outcomes. They are essential for market-based systems as well as in the context of results-based finance that does not result in the creation of tradable units.
- (c) In all collaborative approaches, it is necessary for there to be clear rules in place that determine which entity will be entitled to claim achieved emission reductions and removals. This applies in all scenarios involving double

finance or where double claiming involves international climate finance and national targets.

- (d) 'Nesting systems' should be considered in countries where it is expected that emission reductions and removals will be claimed at multiple levels (e.g. national or sub-national levels together with projects).
- (e) Rules can also limit the use of emission reductions and removals by one or both Parties that cooperate in mitigation actions.

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