

Japan's Submission on SBSTA item 10 (a)

Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement

(2 October 2017)

Japan welcomes the opportunity to submit its views on guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement in line with paragraph 5 of FCCC/SBSTA/2017/L.15. This submission includes the following: the content of the guidance, including the structure and areas, issues and elements to be addressed.

The content of the accounting guidance

Article 6, paragraph 2 of the Paris Agreement makes it clear that the use of internationally transferred mitigation outcomes (ITMOs), including emission reductions resulting from the mechanism referred to in Article 6, paragraph 4 (hereinafter referred to as credits/units) towards achieving nationally determined contributions (NDCs) is available for Parties on a voluntary basis. In order to promote Parties' voluntary actions and to take into account the national circumstances, it is prerogative of Parties to generate, transfer and use credits/units.

Environmental integrity and sustainable development

The scope of guidance should be limited to the accounting towards the achievement of NDCs, which ensures the transparency. Nevertheless, Parties are encouraged to report, through transparency framework under the Article 13, paragraph 13 of the Paris Agreement, how they carry out under the responsibility of the Parties engaging the cooperative approaches to promote sustainable development and ensuring environmental integrity and transparency.

Definition of credits/units

Credits/units should represent one metric tonne of carbon dioxide equivalent, calculated using common global warming potential.

Avoidance of double counting and corresponding adjustment

It is essential to avoid double counting to accurately assess each country's efforts to achieve its NDC. In this regard, we need to develop a common understanding on the types of double counting and possible measures to address the issues. The types of "double counting" can be categorized into the following categories including "double registration," "double issuance," "double usage," and "double claiming."¹

The "double claiming" can be described as the case where credits/units issued based on mitigation outcomes of a Party (originating Party) are used by another Party (acquiring Party) to offset its emissions, without adjusting the originating Party's GHG emissions. In order to avoid double claiming, the originating Party should add the amount of credits/units transferred to its own emissions or deduct it from its own removals and identify "adjusted GHG emissions" (a corresponding adjustment).

The originating Party should identify "adjusted GHG emissions" at the timing of transfer of credits/units outside the country. The Party does not need to check the status of the credits/units transferred to the acquiring Party, such as retired, cancelled or being held. This will reduce future uncertainty.

Accounting of the different types and scope of NDCs

There are various types of NDCs – an absolute emission reduction target, compared to BAU emissions, and intensity target (such as GHG emissions per GDP). In order to assess the achievement of NDC through the use of credits/units, "adjusted GHG emissions" should be reported to compare the target GHG emissions based on the different types of NDCs.²

¹ Japan has provided those measures in its previous submissions dated 5 September 2013 and 27 September 2016. http://unfccc.int/files/cooperation_support/market_and_non-market_mechanisms/application/pdf/fva_japan_05092013.pdf
http://www4.unfccc.int/Submissions/Lists/OSPSubmissionUpload/112_262_131195459180395077-JAPAN_SUBMISSION_ARTICLE_6_PARAGRAPH_2.pdf

² When a Party's NDC has an absolute emission reduction target (X% emission reductions from emissions in the base year Y), the Party will report the adjusted GHG emissions for the target year(s). It is deemed that the Party's NDC has been achieved if adjusted GHG emissions are lower than the target GHG emissions calculated based on the actual GHG emissions of the base year.

When a Party's NDC has an emission reduction target compared to BAU emissions (X% emission reductions from BAU emissions), the Party will report the adjusted GHG emissions for the target year, and it is deemed that the Party's NDC has been achieved if adjusted GHG emissions are lower than the target GHG emissions calculated based on the hypothetical GHG emissions (emissions under BAU scenario) in the target year.

When a Party's NDC has an intensity target (X% improvement from the base year's emission per GDP or capita), the Party will report the adjusted GHG emissions and the GDP or capita for the target year. It is deemed that the Party's NDC has been achieved if adjusted GHG emissions per GDP or per capita are lower than the intensity target in the target year.

Accounting of credits/units not covered by NDC

According to the Article 4, paragraph 4 of the Paris Agreement, Parties are encouraged to move over time towards economy-wide emission reduction or limitation targets. Therefore, it is important that guidance should ensure incentives for Parties to increase the coverage of sectors under its NDC.

When an originating Party transfers credits/units generated from sectors outside (and inside) its NDC coverage, that Party should add the amount of credits/units transferred to its own emissions or deduct it from its own removals. This arrangement will secure avoidance of double claiming while also securing opportunities to implement emission reduction projects regardless of whether the sectors are covered under NDCs and ensuring Parties' incentives to cover more sectors in their NDCs as stipulated in the Paris Agreement.

Possible accounting approaches towards the achievement of NDCs

There could be three approaches to use credits/units towards the achievement of NDCs with single year target and such approaches should be used to explain how the Parties achieve their NDCs.

1) Cumulative

The credits/units generated during NDC period (e.g. 10 years) could be used for the achievement of the point year target.

2) Same vintage

The vintage year of credits/units (e.g. emission reductions generated in 2030) will be used for the achievement of the point year target.

3) Average

The credits/units generated during the NDC period could be averaged by the NDC period and such averaged amount of credit/units would be used for the achievement of the point year target.

Reporting data and format

The guidance on accounting as mandated by SBSTA should facilitate the disclosure of information on the amount of credits/units that are issued, acquired and transferred, retired and cancelled by Parties respectively. Such information should be made publicly available in a consolidated manner through the work of the UNFCCC secretariat. For this purpose, the format and reporting procedure should be developed and implemented in line with the modalities, procedures, and guidance of the transparency framework for action and support as referred to in Article 13 of the Paris Agreement.

The Annex to this document provides an example of reporting format, which covers the total amount of credits/units by account type at the end of each year, international transactions, and vintage year of credits/units.

Regarding the use of credits/units for the achievement of NDCs, the following reporting procedures should be developed taking into account various types of NDCs.

- 1) Data recorded in a registry system(s), which manages credits/units, are reported in the context of tracking progress of NDCs.
- 2) Data to be reported include:
 - (i) Name of the originating Party that issued credits/units under one of the cooperative approaches;
 - (ii) Amount of credits/units issued by the originating Party;
 - (iii) Amount of credits/units transferred and acquired internationally;
 - (iv) Amount of credits/units held on the end of each year;
 - (v) Amount of credits/units used to achieve NDCs;
 - (vi) Amount of credits/units cancelled;
 - (vii) Vintage of credits/units.
- 3) The timing of reporting should be in line with the modalities, procedures and guidelines of the transparency framework.

Annex: Reporting format for the Guidance on Robust Accounting

Table 1. Total amount of credits/units by account type at the end of each year

Account Type	Credits/units									
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Party holding accounts										
Entity holding accounts										
Sub-total										
Cancellation accounts										
Retirement account (used to achieve NDC)										

Table 2. Issuance and international transactions

	2021			2022			20XX		
	Issued	Transferred	Acquired	Issued	Transferred	Acquired	Issued	Transferred	Acquired
Total									
Country name								Year 2021 Xt Year 2022 Yt Year 2023 Zt Year 2024 At	Year 2021 Xt Year 2022 Yt Year 2023 Zt Year 2024 At
Country name									
Country name									
Country name									
Country name									

*A Party should report vintage of the units/credits described in each cell

Table 3. Cancellation and retirement

	2021		2022		20XX	
	Canceled	Retired (for achievement of NDC)	Canceled	Retired (for achievement of NDC)	Canceled	Retired (for achievement of NDC)
Total						
Originating Country name					Year 2021 Xt Year 2022 Yt Year 2023 Zt Year 2024 At	Year 2021 Xt Year 2022 Yt Year 2023 Zt Year 2024 At
Originating Country name						
Originating Country name						
Originating Country name						
Originating Country name						

*A Party should report vintage of the units/credits described in each cell