COP26 Outcomes and Implications

Verra Debrief

November 22, 2021

Glasgow took steps not leaps

- Mitigation ambition: 2.7°C → 2.1°C global temperature rise, call to strengthen 2030 targets before Egypt next year
- Climate finance: US$100b per year by 2023, more from 2025
- Initiatives from countries, states, cities and businesses
- Paris Agreement rulebook completed
  - ✓ Rules for Article 6 international cooperation
  - ✓ Transparency tables for reporting targets and emissions
  - ✓ 10-year common timeframes for future NDCs

Cooperative approaches (Article 6.2)

- Sets an open, inclusive framework for country-led programs transferring mitigation outcomes for use towards NDCs
- Accounting to avoid double counting between NDCs
  - ✓ Country-level *corresponding adjustments* reported in Biennial Transparency Reports (starting 2024)
  - ✓ Applicable for sectors inside and outside NDCs
  - ✓ Mandatory: NDCs + *international mitigation purposes*
- High-quality, independent crediting programs (such as VCS) operational and combinable with corresponding adjustments

UNFCCC crediting (Article 6.4)

- Successor to the Kyoto Protocol's CDM
- Baseline setting options
  - ✓ Best available technology
  - ✓ Ambitious benchmark set by best-performing comparisons
  - ✓ Actual or historical emissions, adjusted downwards
- Additionality to take account of all relevant national policies
- Crediting periods 5+5+5 or 10 years (15+15+15 for removals)
- Transition of CDM projects and some pre-2021 credits

Voluntary market accounting

- Article 6 accounting tools available to host countries if wished
- VCM does not lead to *double use* under Article 6
- But lower emissions from VCM projects must not lead companies and host countries to lower future mitigation effort
  - ✓ An ambition issue, not a double counting issue
  - ✓ But less likely to arise if NDCs are less quantitative and climate policy is not precisely calibrated to a measured emission gap
- Use of adjustments likely driven by claims definition and value

Country control via authorization

Transferring country adjustment	NDC: Authorized for use towards NDCs	Acquiring country adjustment
Transferring country adjustment	IMP: Authorized for use for *international mitigation purposes* (international agreements, such as CORSIA)	Airline (no country adjustment)
Transferring country adjustment	OP: Authorized for use for *other purposes* determined by country (including VCM)	Company (no country adjustment)
Transferring country (no adjustment)	No authorization for an Article 6 determined purpose (including VCM)	Company (no country adjustment)

VCM as mitigation ambition

- Contributes finance, technology and capacity, where they are most needed (particularly in developing countries)
- Catalytic in helping host countries scale their ambition
- Accelerates progression in NDC actions and targets
- Advances progress towards a 1.5ºC future
- Can contribute much more with strong government involvement

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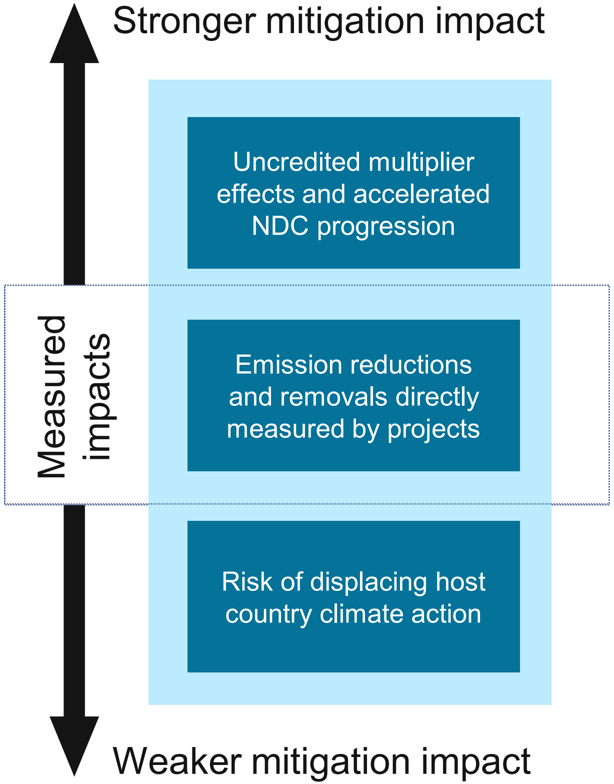
Alternatives to adjustments



- Clarify how VCM contributes to host's conditional NDC pledges and its shift towards net zero
- Promote replication effects
- Promote multiplier effects
- Accelerate progression in NDCs

For conditional NDCs, VCM projects are integral to the host's ambition

Host countries can drive transformation

Accounting adjustments?

- Cancel out impact of VCM projects on host country NDCs
- Assume host countries will reduce mitigation by 100% of VCM impact
- Actual displacement requires key assumptions to be met
  - ✓ VCM projects are in sectors covered by the NDC
  - ✓ NDCs did not request international support
  - ✓ NDCs are clear on how many tonnes will be reduced
  - ✓ Hosts are able to implement their NDCs in full
  - ✓ Climate policy reacts to fine differences in emission levels
- Unrealistic for many countries that need of VCM support
- Will depend on country and NDC circumstances

Mandating adjustments?

- Risks blocking projects and mitigation
  - Reluctance to commit to adjustments
  - Lack of legislation, systems and processes
  - May restrict access particularly for small local actors
- Locks in unequal treatment of developing and developed countries, where a domestic VCM market could still thrive

Verra supports

An open approach to VCM accounting

- Accounting adjustments may be more appropriate for some
- Other approaches to accentuate positive, long-term mitigation
- Contribution claims

VCM to clarify where different accounting is appropriate