



SUBMISSION BY THE SLOVAK REPUBLIC AND THE EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION AND ITS MEMBER STATES

This submission is supported by Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia and Serbia.

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Subject: Further guidance in relation to the mitigation section of decision 1/CP.21 on: (a) features of nationally determined contributions, as specified in paragraph 26; (b) information to facilitate clarity, transparency and understanding of nationally determined contributions, as specified in paragraph 28; and (c) accounting for Parties' nationally determined contributions, as specified in paragraph 31

1. Introduction and reflection on current situation

Summary

Further guidance should help Parties meet the challenge of preparing, communicating and accounting for successive nationally determined contributions (NDCs) that live up to the requirements of the Paris Agreement. At the same time, the guidance needs to take account of the diversity of contributions and the fact that they are nationally determined.

First, we need to build on the Paris Agreement to identify the common features of NDCs. Second, we need to enhance the Lima guidance on the information needed for the clarity, transparency and understanding of NDCs, reflecting the differences in NDCs and new elements of the Paris Agreement, in a manner that also facilitates Parties in preparing and updating their existing and successive NDCs. Third, we need to elaborate accounting guidance that allows Parties to understand what they need to do to demonstrate progress and facilitate achievement of their NDCs and implements the principles such as avoidance of double counting in the tracking of progress.

This work is time critical. Sufficient time needs to be allocated to each sub-item to ensure guidance is available to assist Parties in communicating or updating their contributions by 2020.

For many Parties, preparing the first INDC was a challenge, given our collective lack of experience with elaborating such contributions and the limited time for preparation prior to COP21. It was a tremendous achievement that so many Parties succeeded in submitting their INDC before or during COP 21. Now Parties will be able to benefit from this experience when preparing, communicating and maintaining successive NDCs, as the Paris Agreement requires.

To reflect the experiences with elaborating the INDCs and to assist Parties in meeting the challenge of preparing their second and subsequent NDCs, the mitigation section of decision 1/CP.21 provides for guidance to be developed on the features of NDCs, information to facilitate clarity, transparency and understanding of NDCs, and accounting for NDCs.

These mandates reflect the assessment of Parties that further guidance would be useful. It needs to take into account the common elements as well as the diversity of Parties' contributions. It also needs to integrate the principle that NDCs are nationally determined, together with the requirements under the Paris Agreement (such as the requirement to provide the information necessary for clarity, transparency and understanding), and will eventually help in fulfilling the mandate of the enhanced transparency framework to track progress made in implementing and achieving individual nationally determined contributions (as in Article 13).

The guidance to be developed will apply to the second and subsequent NDCs. However, Parties can use this guidance, should they wish to do so, also for voluntarily updating their first NDC recognising that some elements of the guidance will evolve over time.

Each of these sub-items should be considered individually, since they have their own characteristics and each has a separate mandate under decision 1/CP.21. At the same time, it is also important to ensure internal consistency between the different elements of the guidance. There are also close links with guidance being developed under other articles of the Paris Agreement (for example, the tracking of progress towards implementation and achievement of NDCs under Article 13).

This work is time critical; Parties will communicate or update their contributions by 2020 in line with paragraph 23 and 24 of the decision 1/CP.21. Sufficient time needs to be dedicated to common reflection on each sub-item to ensure further guidance is available in a timely manner to assist Parties in defining and communicating their successive NDCs.

2. Features of nationally determined contributions (NDCs)

Important points were made by Parties during the brief discussions on NDC features during the May 2016 Bonn session, including that Parties should reflect on the submitted INDCs and their experiences in preparing them to inform discussions on what further guidance is needed.

This is a sensible and logical approach that we can build on to take forward the features discussion.

What are NDC features?

Features are the common characteristics that NDCs have, such as the fact they must include information to facilitate clarity, transparency & understanding and that each successive NDC will represent a progression beyond the Parties' then current NDC and reflect its highest possible ambition.

Although the features themselves are common to all NDCs, in many cases Parties may be able to choose how to reflect them in their contributions. For example, while all NDCs have a mitigation component, Parties have reflected this in differing ways in the submitted INDCs, including as co-benefits resulting from Parties' adaptation actions and/or economic diversification plans, and through their indications concerning the use of cooperative approaches under Article 6 of the Paris Agreement.

Features of a NDC will give rise to a need for specific information to communicate implementation and track progress. For example, the feature of intending to use cooperative approaches under Article 6 of the Paris Agreement indicates a need for specific information in this area. Guidance regarding some of these specific information needs will be developed in separate mandated discussions, including those on providing information necessary for clarity, transparency and understanding, and accounting for emissions & removals corresponding to each NDC.

How to develop further guidance?

In keeping with the suggestions made by Parties during the Bonn session, the EU suggests that further discussions on NDC features should build on the experience of elaborating the INDCs, and focus on how further guidance can ensure their common characteristics are reflected in future contributions, in a manner coherent with the other mandates to develop guidance under Decision 1/CP.21 (such as communicating clarity, transparency & understanding, accounting for emissions & removals, and tracking progress in implementing and achieving the NDCs).

Key question:

1. *How can further guidance on features be elaborated that covers the general characteristics of all NDCs, while recognising their diversity?*

3. Information to facilitate clarity, transparency and understanding of nationally determined contributions

Why do we need more guidance on accompanying information?

The information that Parties provide alongside their NDCs to ensure their contributions are clear, transparent and understandable is critical. The diversity of NDCs reflects the diversity of national circumstances and is what has enabled participation by almost every UNFCCC party. But it also poses challenges for understanding what each Party has offered to do, for aggregating Parties NDCs, and for tracking our individual and collective progress, including in relation to our shared long-term goals at the Global Stocktake.

The mandate to further elaborate the information to be provided by Parties communicating their NDCs clearly demonstrates that Parties felt the guidance agreed in paragraph 14 of 1/CP.20 (and referred to in paragraph 27 of 1/CP.21; hereafter called the ‘Lima guidance’) needed to be improved. Analyses of the INDCs in the UNFCCC Secretariat’s updated synthesis report *Aggregate effect of the intended nationally determined contributions* bears this out. In many cases, the information provided with the INDCs is insufficient to understand what Parties are contributing, e.g. due to a lack of reference level or baseline information.

How could the guidance on accompanying information be improved?

The Lima guidance can be improved/complemented in two ways:

- in terms of the level of detail, including essential information needed for the understanding of the different types of NDCs and facilitating thereafter their tracking.
- in terms of new elements in the Paris Agreement (see below).

More detailed guidance is needed on four important issues identified in the Lima guidance that are central to the understanding of Parties contributions and where we collectively stand:

- *methodologies, key assumptions and parameters*: in particular related to the reference point or baseline used (with accounting guidance relevant to this to be negotiated under the separate mandate);
- *quantification of expected future emission levels* and/or reductions compared to the reference case and current emission levels
- *expected use of cooperative approaches under Article 6* (with guidance relevant to this to be negotiated under the separate mandates related to accounting for NDCs and the use of cooperative approaches under Article 6); and
- how the *land sector* is considered in the NDC.

To be useful to Parties, this guidance needs to accommodate the diversity of NDCs. To this end, we would like to consider a simple typology of mitigation components on the basis of the submitted INDCs. This could be used to elaborate both where specific guidelines, on top of general requirements for accompanying information, are needed for particular types of contribution, and what these guidelines should be.¹

The Paris Agreement has also established new elements that could be reflected in the information accompanying NDCs, including:

- In line with Article 4(3), each Party's successive NDC will represent a progression beyond the Party's then current NDC and reflect its highest possible ambition. Parties could then be required to explain how their new NDCs represent a progression and constitute their best efforts.
- According to Article 4(19), all Parties should strive to formulate and communicate long-term low greenhouse gas emission development strategies. Parties that have voluntarily done so may indicate how their NDCs relate to their long-term low GHG emission development strategies. More generally, Parties may provide information on how their NDCs relate to their national development strategies and pursuit of Sustainable Development Goals.

We recognize that not all guidelines may be applicable to all types of contributions. Further guidance on the accompanying information should not constitute an unreasonable burden, interfere with the nationally determined nature of NDCs, nor prejudge their level of ambition. Accordingly, Parties should collectively consider what pieces of accompanying information would be common, what pieces would be critical for understanding different types of contributions, and which pieces of information could be encouraged and/or be optional.

How can we take discussions forward?

A good place to start would be to share and evaluate the experiences of Parties in using the Lima guidance, and of the Secretariat in synthesizing the INDCs, with the aim of identifying gaps and needs for clearer guidance.

Next, we could discuss how the gaps and needs identified could best be dealt with. We should further discuss the implications of the diversity of NDCs for the specific information requirements for clarity, transparency and understanding of different types of contributions. We also would need to consider if and how new elements in the Paris Agreement need to be reflected in the guidance.

Finally, we could consider what pieces of accompanying information should be mandatory, encouraged and/or optional.

¹ Indicative examples of a simple typology can be found in the UNFCCC Secretariat's INDC Synthesis Report and the OECD CCXG report of May 2016 *Unpacking Provisions Related to Transparency of Mitigation and Support in the Paris Agreement*.

Key questions:

1. *What lessons can be learned from the application of the Lima guidance?*
2. *How can further guidance accommodate the understanding of the diversity of NDCs?*
3. *What new elements of the Paris Agreements could be considered in elaborating further guidance?*

4. Accounting for Parties' NDCs

General understanding and approach

Accounting guidance builds upon the common transparency framework under Article 13 and together, they constitute the essential tools to build trust and confidence among Parties concerning the implementation of their NDCs. Accounting guidance defines the rules and modalities for accounting for mitigation contributions that clarify how and which greenhouse gas (GHG) emissions and removals and other relevant parameters should be taken into account when demonstrating progress towards NDCs. Such guidance enables all Parties to understand clearly how they should demonstrate that they achieved their contribution, but also facilitates the understanding how other Parties account for their contributions. The key objectives for accounting guidance is to ensure that the principles outlined in Article 4, paragraph 13 of the Paris agreement

- to promote transparency, accuracy, completeness, comparability and consistency
- to ensure the avoidance of double-counting and
- to promote environmental integrity

are implemented in the process of tracking progress with NDCs.

In this regard accounting guidance goes beyond ensuring transparency, and aims at implementing all the principles above in the process of tracking of progress with NDCs.

Areas to be addressed by accounting guidance

The EU sees three key areas of work related to the accounting guidance:

i) How to draw from existing approaches as we develop the accounting guidance.

Paragraph 31 of decision 1/CP.21 indicates that we should draw from approaches established under the Convention and its related legal instruments, as appropriate. These existing approaches were developed in very specific contexts. We want to discuss with other Parties whether we share a common understanding of what these approaches are and discuss which approaches are appropriate to draw from in the context of NDCs, and whether and how these approaches need to be further developed or adapted to work in the context of NDCs.

ii) Further elaborate on the accounting principles and elements identified in Decision 1/CP.21

Paragraph 31 of decision 1/CP.21 identified four objectives to be achieved by the accounting guidance. The EU believes that further guidance may be needed to ensure each of these is achieved.

(a) Parties account for anthropogenic emissions and removals in accordance with methodologies and common metrics assessed by the Intergovernmental Panel on Climate Change (IPCC) and adopted by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA).

This requires a CMA decision on (i) the IPCC methodologies for estimating emission and removals and (ii) the common metrics to be used for accounting under the Paris Agreement. Conclusions from SBSTA 44 further stressed that the consideration of common metrics to calculate CO₂ equivalence will be an important part of the work on accounting guidance under APA. A starting point for such discussion could be the information communicated on methodologies and common metrics as part of the INDC submissions.

(b) Parties ensure methodological consistency, including on baselines, between the communication and implementation of NDCs.

Without further guidance, Parties may face difficulties to understand what exactly they are expected to ensure and how they should do this. The EU would like to discuss with other Parties what methodological consistency means and how it can be ensured, answering questions such as which methodologies should be consistent, and what ‘communication’ and ‘implementation’ mean and elaborate accounting guidance that helps Parties to understand what they are expected to do.

(c) Parties strive to include all categories of anthropogenic emissions or removals in their NDCs and, once a source, sink or activity is included, continue to include it.

The need for further guidance on this element may arise from the INDCs. There are INDCs that refer to categories of emissions that do not exist as categories/sectors in IPCC Guidelines. The EU’s understanding of this provision has been that ‘all categories of emissions and removals’ refers to those included in GHG inventories, but some Parties chose INDCs that encompass additional categories of emissions. Therefore some further clarification of ‘all categories’ may be helpful. We would also like to discuss where and how Parties indicate which categories of anthropogenic emissions or removals are included in their NDCs.

(d) Parties shall provide an explanation of why any categories of anthropogenic emissions or removals are excluded.

We need further guidance as to where and when such explanation should be provided.

iii) Elaborate any additional accounting guidance necessary to implement the principles established in Article 4, paragraph 13 in the tracking of progress with NDCs.

Accounting guidance should help all Parties with NDCs to meet their obligation to account in a manner that promotes the principles listed in Article 4(13). The guidance should address all elements necessary to provide a clear and unambiguous procedure for how progress in implementation and achievement of NDCs will be demonstrated. In this respect, the guidance needs to take into account the diversity of NDCs and should not be limited to the issues identified above.

Some key areas should be included in the consideration of accounting guidance which the EU and other Parties raised during the initial discussion at the 1st APA session:

(a) Issues related to the reference level against which a NDC is expressed, e.g. whether that level is fixed or whether and how it is updated throughout the target period.

Some Parties have already expressed the intention to update their reference level during the target period. We need to understand how such updating would work, and how the principles established in the PA will be taken into account in the updating process.

(b) Guidance on general aspects of accounting for the use of cooperative approaches under Article 6 that will complement the Article 6 guidance to be developed under SBSTA item 11.

The accounting guidance related to cooperative approaches should mainly be elaborated under Article 6, but there are also questions that may need to be addressed in the accounting guidance developed under Article 4.

- For example, how cooperative approaches under Article 6 contribute to and are considered in the tracking of progress with targets for those countries that use them, and where a general overview will be provided of any corresponding adjustments to avoid double counting.

The EU's submission on *Guidance on cooperative approaches referred to in Article 6, paragraph 2* provides further detail on the EU's thinking on accounting for approaches under Article 6.

(c) Many INDC submissions address specific accounting elements of the land-use sector, e.g. related to harvested wood products, natural disturbances or the use of forest reference levels. Accounting guidance should take into account approaches represented in the NDCs.

The question on how to draw from existing approaches in developing the accounting guidance is important for the land-use sector, as for this sector quite different accounting approaches have been developed in the past. Accounting guidance should therefore provide a frame within which a clear and transparent accounting on basis of existing approaches will be ensured. We would also like to discuss whether accounting guidance needs to address additional elements arising from NDCs to assist all Parties with diverse NDCs in tracking of progress.

Some of the guidance may be common to other sectors, but doubtless there will be specific needs for the land-use sector accounting that will need to be considered.

- (d) We also should consider whether and what additional guidance is needed to accommodate the diversity of NDCs.

What type of accounting guidance is needed?

The PA established the general accounting principles. To be able to address the different issues outlined above and the diversity of NDCs, the EU expects that the type of guidance developed will not be of a monolithic nature. Instead, the provisions of the accounting guidance may differ in:

- **Applicability:** Some provisions will be relevant to all (or almost all) NDCs, whereas others will be relevant only in certain circumstances.
 - For example, accounting guidance related to cooperative approaches under Article 6 would only apply to Parties that use cooperative approaches.
- **Nature:** Different provisions could provide different types of guidance.
 - For example, some provisions might define specific *methodologies or rules*
 - such as required in paragraph 31(a) on methodologies and common metrics.
 - Others may detail the *process* Parties should follow when tracking progress of their NDCs
 - such as how and when reference levels can be updated.
 - Others could present *options* of approaches available under the Convention and its instruments from which Parties may choose in the accounting for certain aspects of their NDCs.
 - This is an indicative list; each provision will need to be considered in turn to determine what type of guidance would be most appropriate.

What could be the way forward?

The previous parts show that a substantial amount of technical work is needed to develop the accounting guidance mandated by Article 4, paragraph 13, and sufficient time should be dedicated to this mandate. Additional technical meetings either pre-sessional or inter-sessional should be held on the basis of Parties' submissions, the discussions at COP 22 and the secretariat's synthesis report on the INDCs, taking into account the budgetary implications. The discussion could be structured along the following areas

1. How to draw from existing approaches as we develop the accounting guidance.
2. Further elaborate on the elements and principles identified in paragraph 31 (a) to (d) of decision 1/CP.21.
3. Identify and develop additional accounting guidance that might be needed to address the diversity of NDCs.

Further calls for submissions related to specific elements of accounting guidance would also facilitate the discussion.

Key questions:

1. *What accounting guidance is needed to help Parties with diverse NDCs to understand how they are expected to demonstrate progress and achievement of NDCs?*
2. *What accounting guidance is needed to facilitate the understanding of how Parties with different types of NDCs track progress with their contributions?*
3. *What common accounting guidance is needed to ensure the principles outlined in Article 4, paragraph 13 in the implementation of NDCs?*