

# LDC concerns related to MRV in the climate regime

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Measurement, Reporting and Verification (MRV) of greenhouse gas (GHG) emissions, mitigation action and of support (related to finance, technology transfer and capacity building) emerged as a key pillar of the future climate regime in the Bali Action Plan. The Plan was agreed at the thirteenth Conference of Parties (COP 13) to the UN Framework Convention on Climate Change (UNFCCC) in 2007, in Bali, Indonesia.

Negotiations under the UNFCCC are now moving towards a 2015 climate agreement that will be "applicable to all Parties". A key part of the 2015 agreement will be the arrangements to report and review how Parties have implemented their commitments. Furthermore, new mechanisms to achieve emission reductions cost-effectively, the Framework of Various Approaches (FVA) and New Market Mechanisms (NMM) are under discussion. MRV will be a key element for these mechanisms. This brief aims to inform LDC negotiators of the key issues relating to MRV from an LDC perspective.

## Three areas of MRV

There are three distinct areas where MRV provisions will apply in the climate regime: GHG emissions; the effects of mitigation actions; and support. Of these, **GHG emissions** is likely to be a secondary concern for LDCs, given their comparatively low per capita emission levels. However, a simple and cost-effective GHG inventory could be a helpful first step in keeping GHG emissions under control in future, as LDCs develop.

Well-designed **mitigation actions** could achieve additional benefits, beyond emissions reductions, and contribute to goals such as energy security, health, increase in agricultural production, and job creation. To LDCs, such effects are likely to be far more relevant than the mitigation benefit itself.

The MRV of **support** relates to developed country commitments to provide finance, support on technology transfer as well as capacity building to developing countries – such as the commitment to mobilise US\$100 billion annually by 2020 made in Copenhagen. The 2015 agreement is also likely to include commitments related to support. MRV of support is particularly essential for LDCs to ensure that they receive the support they need to implement their National Adaptation Programmes of Action (NAPAs), National Adaptation Plans (NAPs), and to embark on a low carbon development pathway.

## Existing MRV provisions

Before 2010, the principal reporting requirements under the international climate regime related to the submission of National GHG Inventories by Annex I countries and National Communications by both Annex I and non-Annex I countries. Developing countries were expected to submit National Communications on a voluntary basis, with a reduced scope compared to Annex I.

At COP 16 in 2010, the Cancún Agreements set out specific provisions for enhanced reporting for both Annex I and developing countries, which were clarified further at COP 17 in Durban.<sup>1</sup> Developing countries are now required to submit National Communications every four years (starting in 2016) and Biennial Update Reports (BURs) every two years (starting in December 2014). Allowances are made for LDCs and Small Island Developing States, who can submit BURs at their discretion. Developed countries are also required to submit Biennial Reports (BRs) every two years (the first BR was due in January 2014). Additionally, it was agreed at COP 19 that developed countries should prepare biennial submissions on their updated strategies and approaches for scaling up climate finance from 2014 to 2020.<sup>2</sup>



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The LDC Paper on MRV is available at <http://ldclimate.wordpress.com/ldc-paper-series/>. Sina Wartmann and Chris Dodwell are with Ricardo-AEA. Seyni Nafo is with the Agence de l'Environnement et du Développement Durable, Mali.

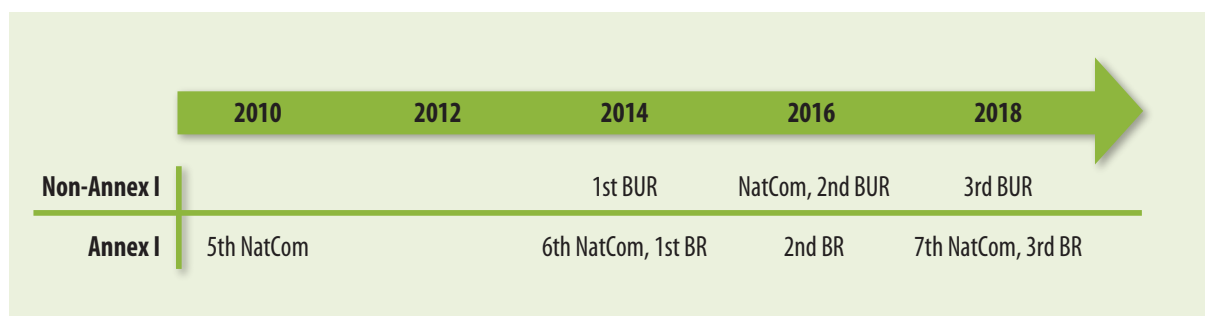
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**Figure 1: Timeline for submission of National Communications and BRs/BURs**



The requirements for BRs/BURs and their review indicate the potential for designing diverse approaches to MRV, tailored to the needs of the process and the capabilities of the Parties. For instance, the International Assessment and Review (IAR) process for the BRs of developed countries is intended to promote comparability and build confidence. It therefore adopts a more rigorous approach, which includes a review of the BRs for compliance. In comparison, the International Consultation and Analysis (ICA) process for the BURs of non-Annex I countries aims to increase transparency of mitigation actions and their effects. It thus reflects a lighter touch than the IAR process and focuses on assessment and discussion of BUR contents, including the identification of capacity building needs. A review of both the ICA and IAR process will take place after the first cycle – by 2016 for the IAR, and by 2017 at the latest for the ICA.<sup>3</sup>

The requirements for the composition of the Technical Team of Experts (TTE), which will carry out the technical analysis under the ICA, were agreed at COP 19 in Warsaw,<sup>4</sup> along with specific requirements related to the content of the BUR and the ICA with regards to reducing emissions from deforestation and forest degradation (REDD).<sup>5</sup>

To date, the verification process for financial contributions reported by Annex I countries in their National Communications has been rather light touch. The Organisation for Economic Cooperation and Development’s Development Assistance Committee’s (OECD DAC) indicator system is most commonly used to assess flows as being either fully or partly dedicated to climate, but the system does not provide guidance on how to determine the specific share of climate finance. The definition of what counts as “new and additional climate finance” also relies on the definition of climate finance itself. No baselines or guidance on the assessment of additionality currently exists.

## MRV in the forthcoming negotiations

### 1. MRV of support

MRV of support can be viewed from two angles: the support provided by Annex I; and the support received by non-Annex I. In theory, the two should yield the same results if the same MRV standards are applied.

However, several problems remain with regard to an effective MRV system. The first relates to the **lack of common definitions** of which developed country contributions should be counted as climate finance, and when this is “additional” to contributions made towards Official Development Assistance (ODA). In the past, for instance during the period of “fast start finance” (FSF) between 2010-2012, developed countries have used several different approaches while counting their climate finance contributions. This has made it very difficult to assess whether they have met their financial commitments. In the context of FSF, developed countries claim that they have exceeded their commitments, while LDCs claim that they have received little or none of the funding promised, and that the proportion of finance provided for adaptation, the key concern for LDCs, is considerably smaller than finance for mitigation. This experience illustrates the importance of a robust MRV system for support to ensure accountability and transparency.

Agreeing a common definition of “climate finance” is complex, as finance to address climate change currently flows through multiple channels and are delivered to developing countries in multiple forms, including ODA, public and private funds, carbon market finance, grants, loans, equities, guarantees, and insurance. Common methodologies to assess and attribute private sector investment leveraged by public sector finance do not yet exist. Where climate finance is one of several aims of support provided, a common approach is needed to assess the share of the support that can be counted towards climate finance.

A Standing Committee on Finance (SCF) was established at COP 16 in Cancún to assist the COP, among other things, in improving the MRV of support provided to developing country Parties.<sup>6</sup> At COP 18 in Doha, the SCF was requested to prepare Biennial Assessments and overviews of climate finance flows, and consider ways of strengthening methodologies for reporting climate finance.<sup>7</sup> The first Biennial Assessment will be published in late 2014, drawing on developed country BRs, among other sources. At COP 19 in Warsaw, the SCF was invited to consider ways to increase its work related to MRV of support beyond the Biennial Assessments,<sup>8</sup> and requested to develop operational definitions for climate finance and private sector finance mobilised by public interventions.

The UNFCCC has called for submissions on accounting methodologies by May 2014, and a decision is expected at the 2014 COP in Lima, Peru. To ensure consistency, the development of these methodologies should link to the work of the SCF on the Biennial Assessment. However, the current timelines pose a challenge, as the draft of the Biennial Assessment is only expected in June 2014.<sup>9</sup>

Coordination of the process of MRV of support by the SCF could ensure consistency, transparency and accuracy in meeting the support needs of LDCs, and merits the Group's support. This includes consideration and suggestions of further activities the SCF might take up in the future.

The Group's active leadership and participation in the development of definitions for climate finance and additionality of climate finance, and their incorporation in common and pragmatic accounting methodologies for developed countries, also merits consideration. For instance, LDCs could initiate in-country verification of the finance they receive, based on whether they consider it climate finance. This could expedite the process of developing international rules for accounting, and help in fine-tuning the definitions of climate finance over time. To be most beneficial to LDCs, a definition of climate finance should cover a broad range of financial flows, with strict requirements to establish whether these flows are related to climate, and are additional.

BURs offer developing countries the opportunity to express their specific needs related to finance, technology or capacity building for mitigation or adaptation. Reporting on the support received requires national oversight and coordination, a process that could also help in making the use of the support more efficient, targeted and effective. It could therefore be beneficial for LDCs to consider submitting BURs, where resources allow, despite the discretion granted.

## **2. MRV of technological support**

COP 7 in Marrakech, Morocco, in 2001 encouraged developing countries to "undertake assessments of country-specific technology needs, subject to the provision of resources, as appropriate to country-specific circumstances." COP 13 in Bali, in 2007, further encouraged non-Annex I Parties to carry out technology needs assessments (TNAs). The TNAs are expected to lead to the development of national Technology Action Plans (TAPs) that prioritise technologies, recommend an enabling framework for the diffusion of these technologies and facilitate identification of good technology transfer projects and their links to relevant financing sources.<sup>10</sup>

The UNFCCC Secretariat is currently preparing an updated synthesis report of the TNAs completed so far. This synthesis report was presented to the meeting of the Subsidiary Body for Scientific and Technological Advice (SBSTA) during COP 19 in Warsaw.<sup>11</sup> A decision on next steps will be taken after the full consideration of this report, at SBSTA 40 in May

2014.<sup>12</sup> Discussions are likely to include MRV approaches for technology support received.

Discussions on technology transfer under the Ad-hoc Working Group in the Durban Platform also touched upon the MRV of technological support, where the Like-Minded Developing Countries called for a dedicated work programme on this area.<sup>13</sup>

Technological support related to adaptation and low carbon energy sources is a priority for the LDC Group. A robust system for MRV of technological support, which includes verification by both the contributor and the recipient, could go a long way in ensuring that these priorities are addressed.

## **3. Framework of various approaches and new market mechanism**

It is likely that MRV will play an important role in the operation of both the FVA and NMM. Discussions are in the early stages, but a number of experiences under the Clean Development Mechanism (CDM) might be considered while designing the FVA and the NMM.

The LDCs have attracted only a small number of CDM projects, not only due to the limited mitigation potential in LDCs, but also the high transaction costs – related in part to MRV. The contributions to sustainable development generated by CDM projects have not always lived up to expectations. LDCs could benefit from an MRV system for NMM that calls for proof that additional value, beyond emission reductions, has been achieved and that no harm has been done. LDC negotiators might therefore wish to strengthen the role of MRV of non-GHG effects, whilst ensuring pragmatic and cost-effective approaches.

Whether financing provided under approaches under the FVA is considered as support provided or not can make a difference with regards to overall support received by developing countries. The related discussion on definitions of MRV of support clearly merit the attention of LDCs.

## **4. MRV under the 2015 agreement**

At COP 17 in Durban in 2011, Parties agreed to start a process to develop a protocol, another legal instrument or an agreed outcome with legal force under the UNFCCC, applicable to all Parties, which is to be negotiated by 2015 and implemented from 2020 onwards. Commitments under this agreement might go beyond mitigation, potentially including further areas like adaptation and the provision of financial support. As targets become more multi-faceted, so does the discussion on MRV. A vast array of options for commitments exist for mitigation alone, including legally binding commitments, absolute and relative voluntary targets, actions and policies and measures. Further areas of commitment mean an even higher level of complexity.

Submissions made by Parties before COP 19 indicate that MRV is considered a relevant element of the future agreement by both developed and developing countries. However, Parties remain divided as to whether these

rules should be commonly applied. The EU, for instance, seeks common application of the rules, while a number of developing countries prefer reduced or no MRV rules for non-Annex I Parties, in line with the principle of common but differentiated responsibilities.<sup>14</sup>

Where mitigation actions receive international support, it is likely that some form of MRV is a condition to receiving this finance. The nature and degree of rigour will depend upon the nature and provider of the support, and the national circumstances of the recipient, among other things. Unless the requirements from different providers of support are aligned, recipients of support will have to invest considerable effort in MRV processes, which might well exceed their capacities. LDCs should therefore engage with efforts to develop harmonised MRV requirements, and set up integrated national processes that will allow them, to the extent possible, to fulfil different MRV requirements using the same institutional structures, capacities and data.

Discussions indicate that overburdening developing countries with MRV requirements could impede negotiations on the 2015 agreement, or even lead to Parties rejecting the agreement as a whole. LDCs, in particular, will not have the resources for MRV available. LDC negotiators might therefore wish to ensure that MRV requirements are linked to the provision of adequate funding, at least for a certain timeframe. They may also suggest consideration of simplified MRV. With regards to mitigation this might include requirements for countries with lower emissions per capita, including the use of simplified measurement methodologies, reporting on a limited scope of information, and less detailed or less frequent reviews.

To LDCs, potential commitments on adaptation or support and their MRV requirements are likely to be of higher relevance than commitments related to mitigation. MRV requirements in these areas are less well developed than for mitigation and will require further discussion.

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