



**A Development-Oriented Approach to MRV under  
Paragraphs 1(b)(i) and (ii) of the Bali Action Plan**

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## A Development-Oriented Approach to MRV under Paragraphs 1(b)(i) and (ii) of the Bali Action Plan

### Introduction

Making MRV operational under paragraphs 1(b)(i) and (ii) of the BAP with respect to developed country Parties will require enhancements in existing MRV modalities under the UNFCCC. For developed country Parties, this would mean enhancing existing modalities in relation to Art. 4.1(j), 12.1, 12.2, 12.3 and 12.5 with respect to national communication developed country Parties and Kyoto Protocol Arts. 5 and 7 in relation to reporting requirements for developed country Parties which are Parties to the Kyoto Protocol. With respect to developing country Parties, putting in place operational MRV modalities pursuant to paragraph 1(b)(ii) of the BAP would mean creating such MRV modalities consistent with the provisions of UNFCCC Arts. 4.1(j), 12.1 and 12.5.

### Differing Objects in BAP Paragraph 1(b)(i) and (ii)

The phrase “measurable, reportable and verifiable” (or MRV) which appears in paragraphs 1(b)(i) and (ii) of the BAP provides the parameters under which the mitigation actions by Parties should be undertaken. With respect to the formulation of the language for paragraphs 1(b)(i) and (ii) it is important to note that the object for MRV modalities under paragraph 1(b)(i) is different from that under paragraph 1(b)(ii). When paragraphs 1(b)(i) and (ii) are read consistently with the objective of the Bali Action Plan and the provisions of the UNFCCC (in particular UNFCCC Arts. 4.3, 4.5 and 4.7), MRV under these paragraphs of the BAP have different objects, as follows:

**Table 1: MRV Under the BAP**

<u>Paragraph</u>	<u>What is Subject to MRV under the BAP</u>	
	<u>Developed country Parties</u>	<u>Developing country Parties</u>
1(b)(i)	<p><u>Nationally appropriate mitigation commitments or actions, including quantified emission limitation and reduction objectives</u>, by all developed country Parties</p> <p><u>Comparability of efforts</u> among developed country Parties in complying with nationally appropriate mitigation commitments or actions</p>	
1(b)(ii)	<p>Provision by developed country Parties of <u>financing, technology and capacity-building</u> to support and enable nationally appropriate mitigation actions by developing country Parties in the context of sustainable development</p>	<p><u>Nationally appropriate mitigation actions by developing country Parties in the context of sustainable development</u> that are supported and enabled by technology, financing and capacity-building from developed country Parties</p>

## Developed Country Parties' Mitigation Commitments and Actions in Paragraph 1(b)(i)

### *Measurement*

Developed country Parties' mitigation efforts are gauged against the extent to which they are demonstrably taking the lead in modifying longer-term trends through emission reductions to stabilize atmospheric greenhouse gas concentrations to specific levels within a timeframe that allows natural ecosystem adaptation, ensures continued food production, and enables sustainable development. How developed country Parties are "taking the lead" towards meeting the objective of the UNFCCC, compliance with paragraph 1(b)(i) could be measured qualitatively and quantitatively through:

Qualitative	Quantitative
<ul style="list-style-type: none"> <li>- Existence of mandatory emission limitation and reduction commitments</li> <li>- Existence of commitments to achieve emission reductions primarily through domestic actions</li> </ul>	<ul style="list-style-type: none"> <li>- New and deeper quantified emission limitations and reductions targets for all developed country Parties that significantly below the 1990 level specified in UNFCCC Art. 4.2(a) and (b) and, for Kyoto Protocol Parties, below their national targets under the Kyoto Protocol</li> <li>- Quantitative benchmark for domestic emission limitation or reductions</li> <li>- Quantitative periodic progression in emission limitation or reductions</li> <li>- Quantified economic costs and impacts on developing country Parties</li> </ul>

### *Reporting*

Existing reporting processes under the Convention (for all developed country Parties) as well as the Protocol (for those that are Parties to the Protocol) should be further enhanced and strengthened (including in terms of reporting requirements), by requiring annual submissions of NCCs and more detailed information.

### *Verification*

Existing verification modalities with respect to developed country Parties' mitigation commitments and actions (through the SBI and the COP) should be further enhanced by, inter alia, having a more robust compliance mechanism that can penalize non-compliant developed country Parties; establishing verification modalities with respect to the quantified economic costs and effects of developed country Parties' emission reduction policies, measures and actions on developing country Parties; and more frequent (e.g. annual) verification.

## **Comparability of Efforts**

### *Measurement*

In order to comply with the BAP objective of enhancing the implementation of the Convention to better achieve the UNFCCC Art. 2 ultimate objective, all developed country Parties should further enhance their existing mitigation-related obligations in a

comparable way. Ensuring such comparability could be done qualitatively and quantitatively as follows:

Qualitative	Quantitative
<ul style="list-style-type: none"> <li>- All developed country Parties should undertake quantified emission limitations and reduction commitments that have the same legally and operationally mandatory or binding character</li> <li>- All developed country Parties should have binding policy commitments to achieve emission reductions primarily through domestic actions</li> <li>- All developed country Parties should have binding commitments to provide such information as may be needed to determine comparability of efforts and actions, using reporting modalities and formats required for NCCs</li> </ul>	<ul style="list-style-type: none"> <li>- Developed country Parties that are not Parties to the Kyoto Protocol should have quantified emission limitations and reduction targets expressed in: (i) comparable percentage reductions with similar base years and timeframes; and (ii) the corresponding figure in tons of CO<sub>2</sub> equivalent to be reduced or avoided, whether in national aggregate or per capita terms – these figures should be comparable to those that are Parties to the Protocol, taking into account: historical responsibility for accumulated greenhouse gas emissions, their national circumstances, level of development and capacity to cope with climate change. Such targets must, as a minimum, aim to reduce developed country GHG emissions below the baseline of 1990 levels set in UNFCCC Art. 4.2(a) and (b)</li> <li>- All developed country Parties should have quantified emission limitation and reduction targets that would significantly lead to the achievement of their specific mitigation-related obligations under the UNFCCC (including going below the 1990 baseline in UNFCCC Art. 4.2(a) and (b)) and the meeting of the UNFCCC’s ultimate objective in Art. 2</li> <li>- All developed country Parties should have quantified targets for domestically-achieved emission reductions that are similar in extent and are consistent with their binding commitment to ensure the primacy of domestic actions over the use of Kyoto Protocol flexibility mechanisms in achieving emission reduction targets</li> </ul>

### ***Reporting and Verification***

Reporting with respect to comparability of efforts should be enhanced in terms of being more frequent – i.e. completed annually with a more frequent reporting period for developed country Parties’ NCCs; and providing information with respect to the implementation of mitigation commitments and actions undertaken in sufficient depth, detail, and specificity to allow for cross-country comparability among developed country Parties. Verification could be done by the COP through the SBI establishing a technical panel on comparability.

### **MRV Financing, Technology and Capacity Building**

Taking into account the application of UNFCCC Art. 4.7, the extent to which developing country Parties undertake and implement MRV NAMAs pursuant to paragraph 1(b)(ii) of the BAP will depend on the extent to which developed country Parties support and enable such NAMAs through MRV financing, technology and capacity-building. In implementing paragraph 1(b)(ii), the following points deriving from the balance contained the paragraph must be illustrated:

- developing country Parties are not expected to undertake MRV NAMAs in the absence of the corresponding MRV finance, technology and capacity-building must first be provided or committed by developed country Parties
- developing country Parties' unilateral (e.g. self-funded) mitigation actions undertaken without MRV finance, technology or capacity-building support from developed country Parties would not be subject to MRV under paragraph 1(b)(ii)
- developing country Parties need not MRV under paragraph 1(b)(ii) their mitigation actions that may be supported by finance, technology or capacity-building measures from developed country Parties which are not MRVed or which are provided outside of the MRV framework under paragraph 1(b)(ii)
- developing country Parties' mitigation actions that are supported or enabled by finance, technology or capacity-building provided by other developing country Parties would not be subject to MRV under paragraph 1(b)(ii)
- finance, technology or capacity-building provided by developing country Parties to other such Parties to support or enable mitigation actions would not be subject to MRV under paragraph 1(b)(ii)

### *Measurement*

#### **Financing**

Paragraph 1(b)(ii) MRV financing must be “new and additional” to existing flows of financing – including official development assistance (ODA) – from developed to developing countries. Furthermore, it should flow through the UNFCCC’s Art. 11 financial mechanism and be subject to the guidance and accountability of the COP. UNFCCC Art. 4.3 requires, inter alia, that the “agreed full incremental costs” to be borne by developing country Parties in connection with the implementation of measures needed to implement their obligations under UNFCCC Art. 4.1 shall be covered by the corresponding financing to be provided by developed country Parties. This then should be the starting basis for measurement. Since there is no current global figure on “agreed full incremental costs” that need to be financed by developed country Parties under Art. 4.3, alternative figures need to function as the basis for measuring, under paragraph 1(b)(ii) of the BAP, the enhanced compliance by developed country Parties with their Art. 4.3 obligation. In an update of its 2007 report on investment and financial flows to address climate change, the UNFCCC secretariat’s estimated annual cost requirements to fund adaptation, mitigation and technology transfer for developing countries is US\$262.15 billion – US\$615.65 billion annually by 2030. Hence, MRV finance from developed country Parties under paragraph 1(b)(ii) should amount to at least US\$ 615.65 billion per year (if the UNFCCC estimate is used as the basis) or at least US\$ 557.64 billion per year (if the G-77 and China proposal is used as the basis). In fact, these suggested benchmark figures might even be too low given the scale of financing needs of developing country Parties in relation to climate adaptation, mitigation and to support the shift to low-carbon development pathways.

The UNFCCC’s financial mechanism is the most logical mechanism through which developed country Parties should channel their treaty-obligated financing. This would require financing to be subject to the guidance and accountability of the COP, in accordance with the provisions of Art. 11. This will ensure accountability to the UNFCCC Parties with respect to the proper use of the financing to meet the objective of the

UNFCCC, and will also allow the COP and the Parties to compare and verify the extent to which developed country Parties are complying with their financing obligations. Hence, only UNFCCC-channeled financing would be the only type of climate financing coming from developed country Parties that can be MRVed under paragraph 1(b)(ii) and then counted as developed country Parties' fulfillment of their climate financing treaty obligations. That is, financing from developed country Parties that do not go through the UNFCCC's financial mechanism cannot be counted as compliance with their UNFCCC financing commitments and with the balance in paragraph 1(b)(ii). Finally, developed country Parties' treaty obligation in UNFCCC Art. 4.3 is mandatory as reflected in the form of mandatory assessments of financial contributions to the UNFCCC's financial mechanism from developed country Parties. Such mandatory assessed annual contributions from developed country Parties, and compliance with such assessments, would then be the quantified annual benchmarks against which developed country Party compliance with the climate financing treaty obligation under UNFCCC Art. 4.3 and with paragraph 1(b)(ii) of the BAP can be MRVed.

### **Technology Transfer**

Read together, both UNFCCC Art. 4.5 and Decision 4/CP.7 indicate that the benchmark for measurement with respect to technology transfer should be the extent to which "meaningful and effective actions" - e.g. actions that are practical, results-oriented, and produce actual technology transfer - are undertaken by developed country Parties to implement Art. 4.5. Furthermore, in the context of implementing paragraph 1(b)(ii) of the BAP, such actions should be measured according to the extent to which they "support and enable" developing country Parties in undertaking NAMAs in the context of sustainable development. Indicators to serve as metrics would hence be both qualitative and quantitative, in relation to technology transfer policy measures, actions, and financing.

### **Capacity Building**

In the context of implementing paragraph 1(b)(ii) with respect to capacity building, the key MRV benchmark by which developed country Parties' actions to support capacity-building under paragraph 1(b)(ii) of the BAP should be gauged would be the extent to which developing country Parties provide financial and other support (including technical and information access) for the conduct of capacity building in developing country Parties under the Capacity Building Framework for developing countries under Decision 2/CP.7, especially with respect to the development by developing country Parties of their NAMAs in the context of sustainable development. This would mean that specific indicators with respect to the provision of support for capacity-building as a supporting and enabling measure under paragraph 1(b)(ii) would have to be developed using both qualitative and quantitative benchmarks - e.g. policy measures, actions, and financing.

### ***Reporting of MRV Financing, Technology and Capacity Building***

Under UNFCCC Art. 12.3, developed country Parties are required to "incorporate [in their NCCs] details of measures taken in accordance with" Art. 4.3 (provision of new and additional financial resources), Art. 4.4 (assistance to meet the costs of adaptation), and Art. 4.5 (promotion, facilitation and financing of the transfer of, or access to, environmentally sound technologies and know-how). This reporting requirement would then form the basis by which the provision of financing, technology and capacity-

building by developed country Parties under paragraph 1(b)(ii) of the BAP would be reported. Improvements in the reporting format of NCCs from developed country Parties need to be made within the context of implementing paragraph 1(b)(ii) of the BAP. Current reporting by developed country Parties with respect to their implementation of their Art. 4.3, 4.4 and 4.5 commitments on financing and technology transfer leave much to be desired, often being very vague or too general to be of much value in terms of being able to accurately measure the extent of compliance. Hence, developed country Parties' reporting in their NCCs with respect to the provision of financing, technology transfer and capacity-building pursuant to paragraph 1(b)(ii) must be made more regular and frequent (e.g. annually) and be more detailed and specific in terms of information content.

### ***Verification of MRV Financing, Technology and Capacity Building***

Verification of the provision of MRV financing, technology and capacity building by developed country Parties would be done by a to-be-created executive body under the COP's guidance and authority to operate a special fund under the UNFCCC financial mechanism. This fund would be the depositary for assessed contributions from developed country Parties and would be the source for MRV financing for MRV technology and capacity building, as well as directly financing MRV NAMAs by developing country Parties.

### **MRV Nationally Appropriate Mitigation Actions in the Context of Sustainable Development of Developing Country Parties**

Under paragraph 1(b)(ii), "enhanced national/international action on mitigation of climate change" by developing country Parties are supposed to be in the form of MRV NAMAs "in the context of sustainable development" that are "supported and enabled" by MRV financing, technology and capacity building. As pointed out earlier in this paper, a plain text reading of paragraph 1(b)(ii) clearly indicates that only those NAMAs that are supported and enabled by MRV financing, technology and capacity building can be subject to MRV – that is, the adoption and implementation of MRV NAMAs by developing country Parties in the context of sustainable development under paragraph 1(b)(ii) are conditional on the prior provision of MRV financing, technology and capacity building by developed country Parties.

### ***Measurement***

Developing country NAMAs that can be MRVed under paragraph 1(b)(ii) of the BAP cannot be made subject to or be linked to specific quantified emission limitations or reduction targets, since the development conditions and the achievement of sustainable development objectives will vary among countries. At the same time, mitigation actions by developing country Parties that may be undertaken pursuant to paragraph 1(b)(ii) should be able to address simultaneously the achievement of climate mitigation and adaptation and sustainable development objectives. What this means therefore is that the essential metric for measurement of MRV NAMAs in the context of sustainable development that developing country Parties are supposed to undertake under paragraph 1(b)(ii) must be primarily qualitative and focused on the adoption and implementation of specific mitigation actions (e.g. projects or activities) that support sustainable development objectives, rather than be quantitative and focused on measuring the achievement of any nationally-specific quantified emission reductions or

limitations targets. The mitigation actions of developing country Parties are distinct from the mitigation commitments (and the actions taken pursuant to such commitments) of developed country Parties, in keeping with the principle of common but differentiated responsibilities under the UNFCCC.

What could be MRVed with respect to developing country Parties' NAMAs under paragraph 1(b)(ii) could be the extent to which such Parties are implementing such NAMAs. But for such developing country Party NAMAs to be subject to MRV, there must be a direct correspondence or association between the provision of MRV financing, technology and capacity building by developed country Parties and the NAMA that is being adopted and implemented by a developing country Party. Furthermore, because of the qualitative nature of the metric for developing country Parties' MRV NAMAs in the context of sustainable development under paragraph 1(b)(ii), it would be voluntary and discretionary on the part of each developing country Party to determine exactly which NAMAs would be most appropriate for it to adopt and implement, taking into account its sustainable development objectives, capacity and national circumstances.

### ***Reporting***

The existing NCC modalities for developing country Parties could be enhanced for purposes of effectively implementing paragraph 1(b)(ii) of the BAP with respect to the reporting of MRV NAMAs by developing country Parties by, inter alia:

- increasing the frequency of reporting of MRV NAMAs independent of the submission of NCCs under UNFCCC Art. 12.1, but subject to the provision by the GEF of the "agreed full cost" for such reporting consistent with UNFCCC Art. 4.3. In this way, developing country Parties could provide more regularly periodic reports to the SBI consistent with the SBI's mandate under UNFCCC Art. 10.2 to assess "the overall aggregated effect of the steps taken by the Parties in the light of the latest scientific assessments concerning climate change."
- developing a non-binding MRV NAMA registration system run by the UNFCCC secretariat to which developing country Parties could voluntarily submit and register information of possible NAMAs (including estimated mitigation effects and estimated financing, technology and capacity building requirements) pursuant to paragraph 1(b)(ii) of the BAP, including information on the nature and scope of specific MRV NAMAs for which the country is seeking MRV financing, technology and capacity building.
- institutional modalities to be established by the executive body for the UNFCCC's financial mechanism for the verification of MRV financing, technology and capacity building, in order to match voluntarily registered MRV NAMAs that are planned or proposed by developed country Parties with the appropriate funding window in the special fund containing MRV financial contributions from developed country Parties

### ***Verification***

Given that the adoption and implementation of MRV NAMAs are voluntary national actions by developing country Parties, the verification of the extent to which these MRV NAMAs are implemented and have their planned effect should first be pursued by national entities through nationally determined procedures. These procedures may be based, as appropriate given the national circumstances and practices of the developing

country Party concerned, on international guidelines or practices or frameworks for verification that may be developed by the COP.

The SBI should then periodically report to the COP the results of its review and verification of the annual reports of developing country Parties with respect to their voluntarily registered MRV NAMAs, with appropriate recommendations. The COP is legally mandated under UNFCCC Art. 7 to be the final review and verification body with respect to the implementation of the UNFCCC by the Parties. With respect to developing country Parties' MRV NAMAs as reported by them, the COP's focus should focus on assessing the "overall aggregated effect" in relation to GHG mitigation of such MRV NAMAs undertaken by developing country Parties.

In assessing the "overall aggregated effect" on GHG mitigation of developing country Parties' MRV NAMAs taken pursuant to paragraph 1(b)(ii) of the BAP, the COP should also take into account the reports of the executive body for the UNFCCC's financial mechanism relating to its verification of the provision of MRV financing, technology and capacity building by developed country Parties to support the adoption and implementation of MRV NAMAs by developing country Parties.