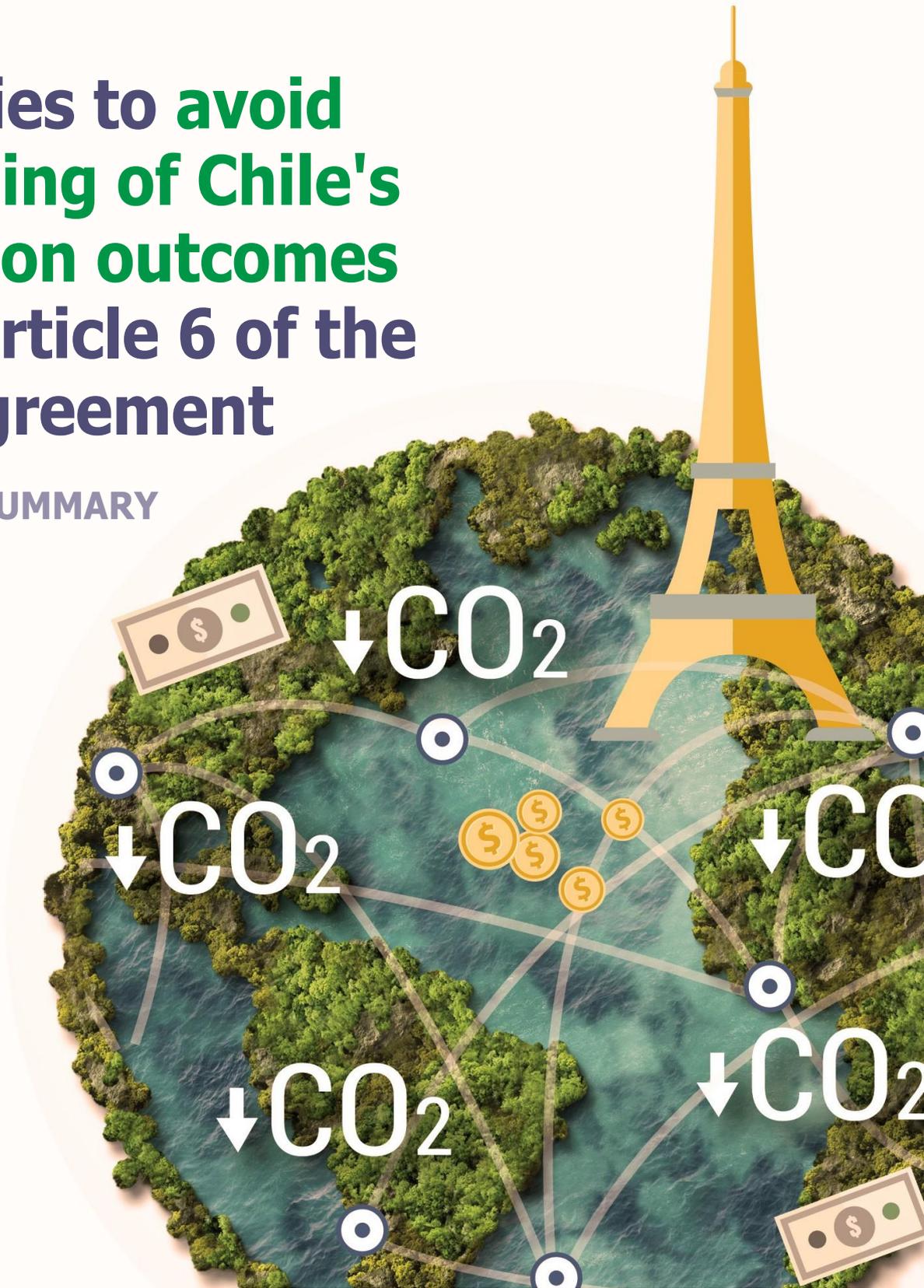




Programa de Energías
Renovables y Eficiencia
Energética en Chile

Strategies to avoid overselling of Chile's mitigation outcomes under Article 6 of the Paris Agreement

EXECUTIVE SUMMARY



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 Ministerio Federal
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Background and Objective

This study was prepared within the framework of the “Global Carbon Market” project, in cooperation with the Ministry of Energy, and financed by the German Federal Ministry for the Environment, Natural Conservation and Nuclear Safety (BMU). The general objective of the study was to provide recommendations to avoid or control the risk of overselling of mitigation outcomes in Chile, within the framework of potential international transfers under Article 6 of the Paris Agreement, taking into consideration the mitigation commitments of Chile’s National Determined Contribution and the goal of carbon neutrality by 2050.

Methodology

Chile's NDC establishes an emission reduction goal by 2030 which is economy wide and considers this goal as an intermediate point towards carbon neutrality by 2050. In this framework, this study focused on the definition of strategies and recommendations to avoid the overselling of mitigation outcomes associated with low-cost implementation measures, considered as the most relevant risk to be analyzed, as it could hinder compliance with the country's mitigation commitments in case the remaining mitigation options are too costly.

For the selection of the strategies to be used to avoid the overselling of mitigation outcomes in Chile, the strategies presented in the Carbon Limits study “Practical strategies to avoid overselling” (2020) were evaluated, in order to analyze their applicability to the national context. Subsequently, considering the existing progress in terms of data availability, accounting and reportability of GHG emissions in the country, a gap analysis was carried out to implement actions to enable informed decision making, that resulted on a proposal for an implementation plan with recommendations to avoid or control the risk of overselling mitigation results under Article 6 of the Paris Agreement.

Results

Based on the analysis carried out, the proposal is to implement a flexible strategy, which considers a main strategy of exclusion/inclusion of mitigation measures and is complemented by mitigation outcome splitting and/or the generation of a reserve fund to avoid or reduce the potential limitations or disadvantages of mitigation measures. The strategies and their advantages and disadvantages are discussed in greater depth in the full report of this study.

The analysis to generate the proposal for an action plan to address the risks of overselling is focused on three areas: a) preparation of the country for cooperation through Article 6, b) definition of necessary measures to comply with mitigation commitments and c) control of progress towards compliance with mitigation commitments, and allowed to identify recommendations in various aspects, as follows:

Institutional framework for carbon markets: The country has previous experience with the Clean Development Mechanism, where a Designated National Authority was implemented that authorizes the participation of emission reduction initiatives in this mechanism. Under the current context, it is recommended to develop a National Authority with greater responsibilities,

which coordinates the different efforts of the country in matters of mitigation accounting and emissions prospective at national level, and that has the necessary information for decision-making regarding the authorization of projects that request the transfer of mitigation outcomes at international level.

Definition of necessary measures to comply with national commitments: Chile has experience in the preparation of various analysis of mitigation measures and marginal abatement cost curves, developed in processes that involved multiple actors. On the other hand, Chile is developing a guide for the preparation of sectoral mitigation plans, which will provide guidelines for the implementation of sectoral carbon budgets and the objectives and goals of the Long-Term Climate Strategy that is currently under public consultation. It is recommended to move towards the development of a national package of measures that can be implemented in each sector, called the NDC Package, which has an implementation plan and a monitoring, reporting and verification system, in line with the sector and national budget. This NDC Package will reduce the uncertainties associated with the fulfillment of the country's commitments, with a view to carbon neutrality in the long term.

Updated annual emission estimate: The country has a consolidated system for the preparation of the National Inventory of Greenhouse Gases, called SNICHILE, and is currently in the process of designing and implementing a National Prospective System, which will lay the foundations for the ongoing analysis of past and projected emissions for monitoring and planning purposes. In terms of accounting, it is recommended that among the results delivered by this system consider the development of a "dynamic inventory" that uses a simpler approach than the inventory that is prepared according to the IPCC Guidelines, but that achieves robust enough to quantify the magnitude of greenhouse gas emissions from year to year, with a shorter time lag than the inventory reported to the United Nations Framework Convention on Climate Change. This will allow contrasting results against budgets or goals defined on an annual basis and will facilitate the control of the sale of mitigation outcomes.

Monitoring, reporting and verification: Among the advances in MRV, an integrated registry platform for climate change information is under development, in the context of the "Capacity Building Initiative for Transparency" (CBIT) Chile project. In this area, it is recommended to develop, under the coordination of the National Authority, the necessary protocols to have monitoring, reporting and verification systems compatible and aligned with the central platform that is currently under development.

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More information:	www.4echile.cl www.4echile.cl/proyectos/gcm/ Study Report