Wuppertal Institut

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The Situation-Ambition Approach
Bridging Ambition and Reality

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- **Ambition**

  Countries need to embark on a transformative development pathway compatible with limiting global warming to well below 2°C.

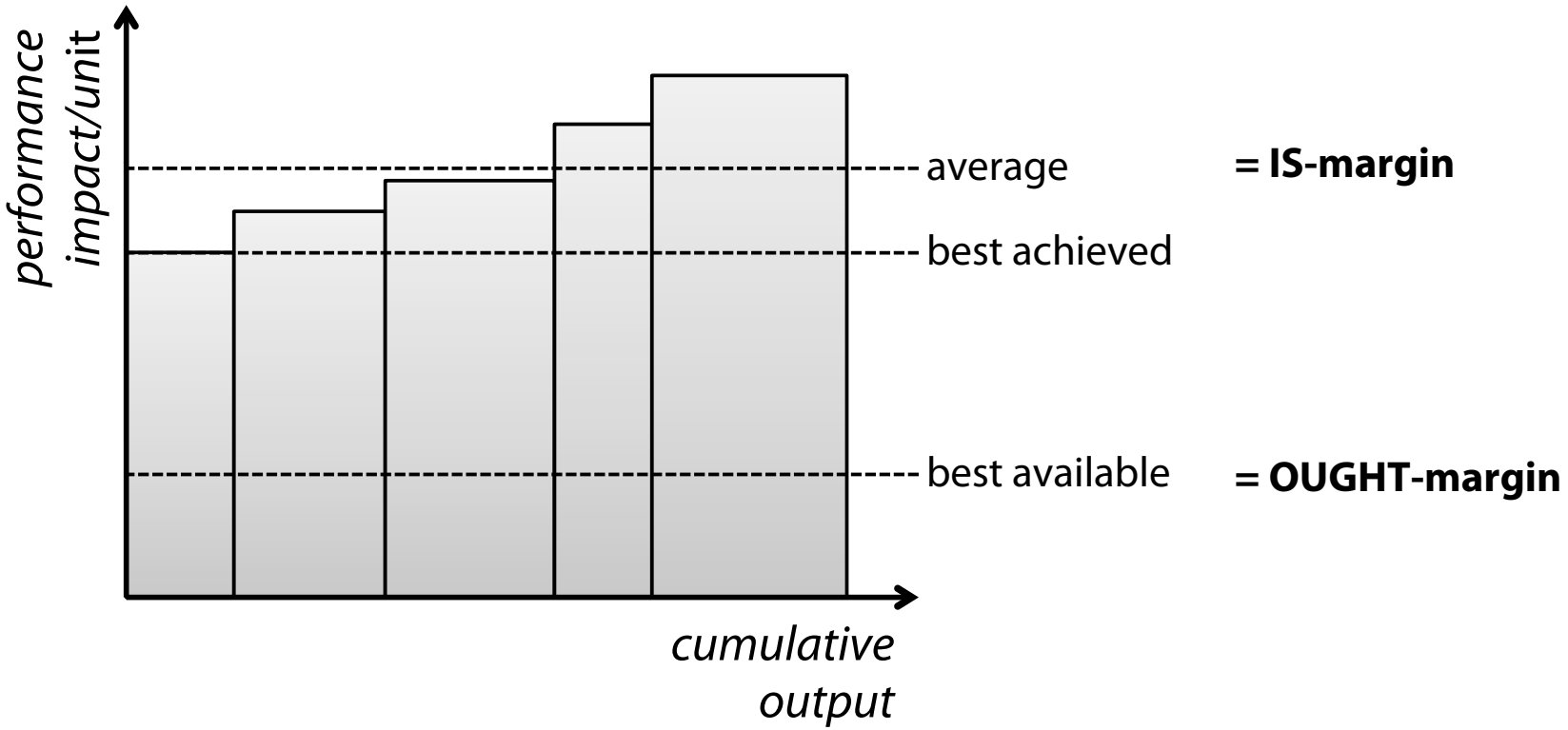
- **Reality**

  The level of ambition of almost all NDCs is insufficient and implementation is anything but certain.

CHALLENGE:

- How can the Art. 6.4 Mechanism help host countries to leapfrog onto a transformative development pathway and (over)achieve their NDCs?

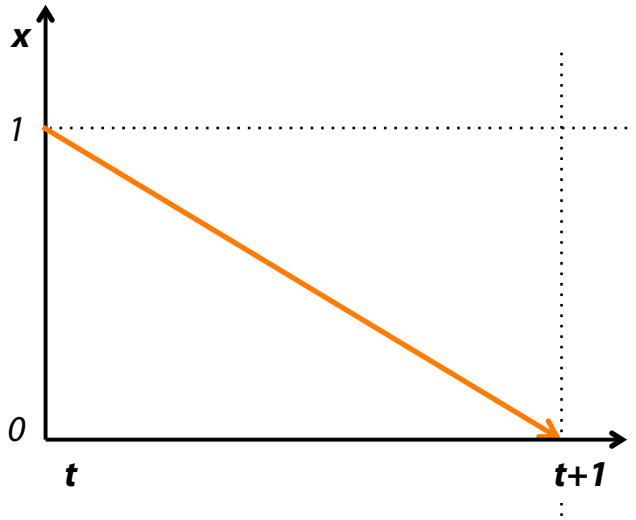
IS-Margin & OUGHT-Margin



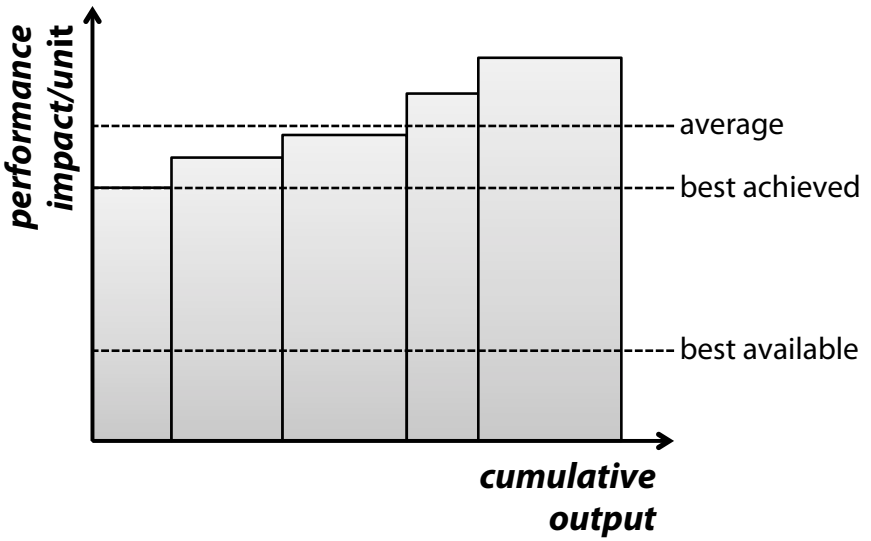
Source: Wuppertal Institute

Dynamic Crediting Baseline Approach

ii) Transition Factor



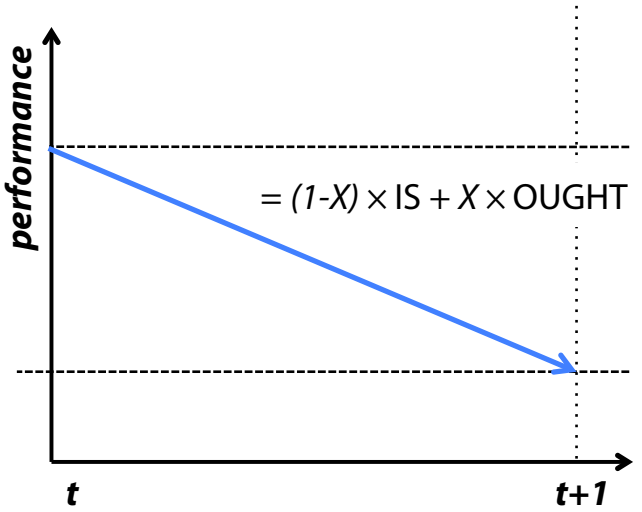
i) Performance Levels at t



= IS-margin

= OUGHT-margin

iii) Dynamic Crediting Baseline for period t till t+1



How to determine the IS-margin?

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- **Using existing methodologies.**
  - CDM methods
  - BAU scenarios on the basis of least cost planning
  - econometric methods e.g. for determining deforestation rates
  - no fallback behind existing principles incl. conservativeness!

- **Should the IS-Margin be adjusted over the crediting period of the project?**
  - Would reduce certified mitigation outcomes (if baseline improves).
  - Would allow to correct baseline emissions in case that changes in BAU materialize much quicker than anticipated when determining additionality. It could minimize the negative impacts of non-additional projects.
  - Increases uncertainty for investors
  - Since the weight of IS-Margin is reduced, so is the need to adjust it.

How to determine the OUGHT-Margin?

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Baseline on the basis of best available technology benchmarks

- Only feasible for some sectors that feature homogenous products/processes

Baseline on the basis of ambitious NDCs

- CONDITION: NDCs are really ambitious and aligned with a 2°C pathway.
- Would require ”sectoralization“ of NDC targets
- Can only be applied for activities within the scope of the NDC.

Baseline on the basis of deep decarbonization scenarios

- Building on official low GHG emission development strategies (Art. 4.19)
- science-based targets on the basis of IPCC-Scenarios for 1.5/2°C

Absolute Targets

- Zero emissions as the bottom line

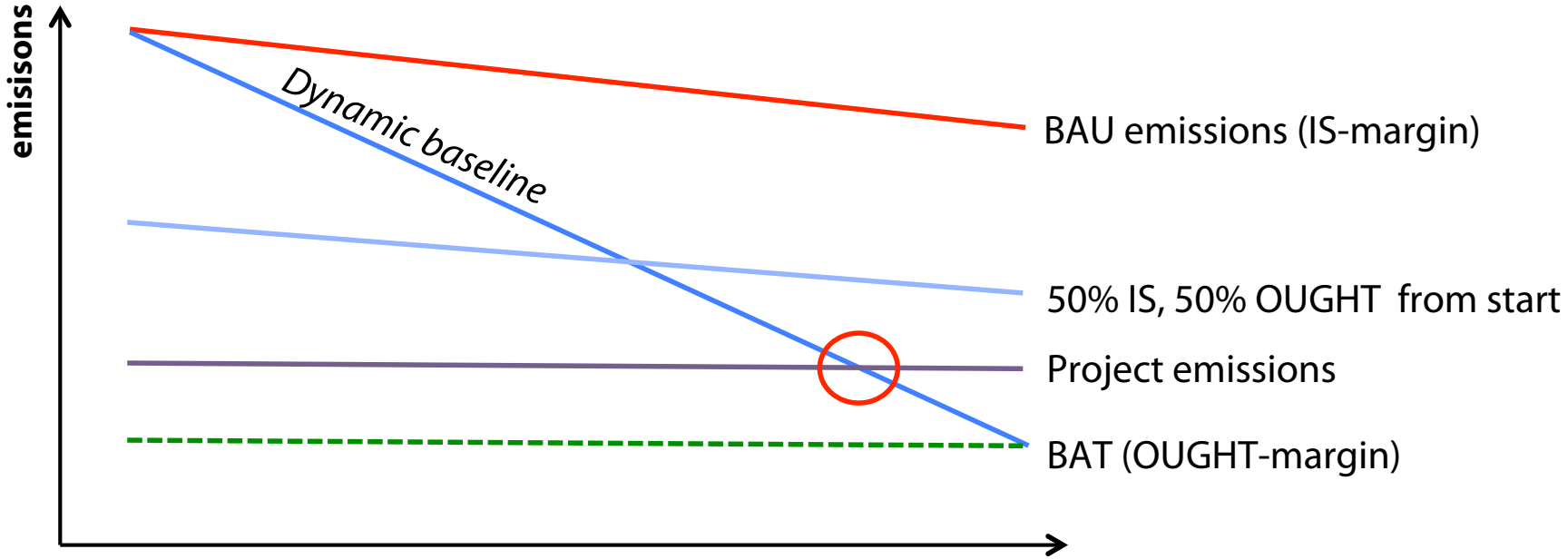
Options to determine the Transition Faktor – I

PRINCIPLE: The transition factor should be aligned with the time horizon (from *t* to *t+1*) of the selected OUGHT-margin.

OUGHT-Margin defined on the basis of:

- ambitious NDC >> transition period = NDC period
- long-term strategy >> transition period = time horizon of underlying decarbonization scenario
- best available technology >> transition period = investment cycle or typical technical lifetime of the utilized technology
- zero emission target >> transition period = timeframe to achieve climate neutrality according to CBDR principles

Options to determine the Transition Faktor – II



Source: Lambert Schneider

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Thank you very much for your attention

for more information visit

www.wupperinst.org www.carbon-mechanisms.de