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**CEEW Issue Brief**

# Enhanced Transparency Framework in the Paris Agreement

## Perspective of Parties

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An issue brief on 'Enhanced Transparency Framework in the Paris Agreement - Perspective of Parties'.

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Prior to joining CEEW, Sumit worked with Evalueserve as a Business Analyst, where he evaluated global companies on ESG aspects. He also worked with CSTEP as a Consultant, assisting the Ministry of Power in PAT-II cycle. Sumit holds an MBA in Business Sustainability from TERI University and a B.E. in Electronics and Communication from National Institute of Engineering. During his studies, he interned at TERI-IEE, TERI-BCSD, and CDP India, where he worked on DSM solutions, waste management and climate change respectively.

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Clearances in India' was extensively consulted by the High level Committee on Forest and Environment related Laws appointed by the MOEFCC, India.

His study on 'identification of the most critical non-fuel mineral resources for the manufacturing sector of India' is duly recognised by the Ministry of Mines, India as a useful policy research. Some of his foregoing research work addresses vulnerabilities in India's energy infrastructure, and, identifies strategic industries and technologies for the manufacturing sector. Prior to joining CEEW, he worked with a reputed mining company with roles and responsibilities in

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# Abbreviation

<b>APA</b>	Ad Hoc Working Group on the Paris Agreement
<b>BR</b>	Biennial Reports
<b>BUR</b>	Biennial Update Reports
<b>BTR</b>	Biennial Transparency Report
<b>CBDR</b>	Common But Differentiated Responsibility
<b>CMA</b>	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
<b>COP</b>	Conference of Parties
<b>CTF</b>	Common Tabular Format
<b>FMCP</b>	Facilitative, multilateral consideration of progress
<b>FSV</b>	Facilitative Sharing Views
<b>IAR</b>	International Assessment and Review
<b>ICA</b>	International Consultation and Analysis
<b>MA</b>	Multilateral Assessment
<b>MCP</b>	Multilateral Consideration of Progress;
<b>MPG</b>	Modalities, Procedures and Guidelines
<b>MRV</b>	Measuring Reporting and Verification
<b>NAMAs</b>	Nationally Appropriate Mitigation Actions
<b>NAP</b>	National Adaptation Plan
<b>NC</b>	National Communications
<b>NDCs</b>	Nationally Determined Contributions
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>SBSTA</b>	Subsidiary Body for Scientific and Technological Advice
<b>SCF</b>	Standing Committee on Finance
<b>TER</b>	Technical Expert Review



# Executive Summary

One of the important objectives of the Paris Agreement is to strengthen the transparency regime for climate change action and this would help build mutual trust and confidence among the various negotiating parties. In the lead up to 2018 (COP24), Parties are contemplating the various provisions of transparency under Article 13, collectively referred to as the modalities, procedures & guidelines (MPG) of transparency. There is a call for increased transparency of actions and support, of reporting and review and a multilateral consideration process and corresponding flexibilities to developing country Parties.

With the complexity and breadth of challenges associated with transparency, Parties have interpreted the provisions of transparency (in the PA) in several ways. From the responses submitted by the Parties to the Ad hoc Working Group on the Paris Agreement (APA), the positions of the Parties with respect to the various provisions of transparency are analysed and categorised under three broad umbrellas (Approach 1, Approach 2 and Approach 3).

Developed country Parties view transparency with a single lens - common MPG for both developed and developing Parties. On the other hand, Parties like India, China and members of the like-minded developing countries express that differentiation in MPG is fundamental to the transparency framework. China proposes minimum transparency (threshold) requirement for developing Parties with balanced approach towards transparency of action and transparency of support. Brazil, Argentina, Uruguay along with like-minded developing countries believe that enhancement in transparency of support is needed, compared with the well-developed arrangements on transparency of action that are already in place. India is broadly in agreement with the LMDC position and suggests that only loopholes need to be plugged without overhauling the existing regime. However, it stops short of detailing these loopholes or making specific provisions.

Views on flexibility among the Parties are not mutually exclusive and have some overlapping elements. USA has defined a decision tree to decide flexibility via a series of questions, while China, Brazil, Argentina and Uruguay define flexibility as having an option to choose based on preferences and national circumstances. Australia (in a similar manner to the US proposal) requires Parties to articulate the rationale for availing flexibility, so that deviation from the common.

With firm deadlines associated with its mandate, the APA will need to work closely with Parties to arrive at a consensus on the new regime. It needs to identify a comprehensive and balanced approach that would eventually lead to a system that allows for an effective implementation of the Paris Agreement and an equally effective transparency regime that identifies opportunities and pitfalls in the implementation.



# Introduction

The Bali Action Plan (decision 1/CP.13) introduced the notion of a measurable, reportable and verifiable process (popularly known as MRV), to ensure transparency in mitigation commitments or actions undertaken by all parties. Developed countries were instructed to include quantified emission limits and reduction objectives into their MRV process; whereas, developing countries were advised to spell out their Nationally Appropriate Mitigation Actions (NAMAs), especially those supported and enabled by external technology financing, and capacity building, through an MRV arrangement.

Subsequently, at COP 16 (Cancun, 2010), it was decided that Annex-I countries would enhance reporting and submit national communications (NC) and biennial reports (BR). Enhancement to reflect achievement of emissions reductions measures and also include the provision of financial, technology and capacity-building support to non-Annex I Parties. It was also agreed that the Biennial Update Reports (BURs), submitted by all non-annex I countries would be subjected to an International Consultation and Analysis (ICA). At COP 17 (Durban, 2011), Parties adopted the detailed guidelines for the preparation of BRs and the modalities and procedures for IAR. Also, COP 19 (Warsaw, 2013) adopted several decisions and guidelines on the elements of MRV framework; the composition, modalities and procedures to conduct technical analysis under the ICA. As per the agreed provisions, developing countries may voluntarily establish domestic processes, arrangements or systems for MRV. Table 1 showcases the transparency arrangement at exists at present. Developed countries have a more rigorous reporting and review obligation while developing countries have simpler reporting and review requirements.

**Table 1: Existing transparency arrangement**

Parties	Reporting Obligation	Review Process
Annex I - Industrialized countries and economies in transition (OECD & EIT Parties)	National Communications, Biennial Report (BR), Inventory Report (CTF)	International Assessment and Review (IAR): Technical Review & Multilateral Assessment (MA)
Non-Annex I - Developing countries	National Communications, Biennial Update Report (BUR)	International Consultation and Analysis (ICA): Technical Analysis & Facilitative Sharing Views (FSV)

Source: CEEW analysis

# Enhanced Transparency Arrangement

The Paris Agreement (Paris, 2015), further reinforced the idea of enhanced transparency for actions and support for global pledges on climate change mitigation. Article 13 of the agreement directs countries to adopt “common modalities, procedures, and guidelines (MPG), as appropriate, for the transparency of action and support. However, it provides for (built-in) flexibility, taking into account different capacities of countries and their collective experiences. The key objectives of this new (proposed) transparency framework are as below:

- To provide a clear understanding of climate change mitigation action,
- Track progress towards NDCs and to inform the global stock-take,
- Clarity on support offered and received by Parties and
- Full overview of aggregate financial support provided to inform the global stock-take.

Decision 1/CP.21 (para 98) says that, “The modalities, procedures, and guidelines of this transparency framework shall build upon and eventually supersede the measurement, reporting and verification system established by decision 1/CP.16 (paragraphs 40–47 and 60–64), and decision 2/CP.17, (paragraphs 12–62), immediately following the submission of the final biennial reports and biennial update reports.”

The Ad Hoc Working Group on the Paris Agreement (APA) was established with the mandate to develop MPGs for enhanced transparency arrangement; provide guidance on features of NDCs, and manage matters related to global stock stake and adaptation communications. These tasks being complex in nature, are closely interlinked with each other. With firm deadline associated with these mandates, the APA will work closely with Parties and others bodies such as SBSTA/SCF and frame MPGs by the first session of Conference of Parties serving as the meeting of the parties to the Paris agreement (in 2018). APA has so far held two engagements with Parties, one in Bonn (16-26 May 2016) and other in Marrakech (7-14 November 2016) to understand their experiences from existing MRV arrangements, views on enhanced transparency framework on action and support, and flexibility aspects for developing countries.

At the end of the second meeting, APA invited Parties to submit their views, by 15 February 2017, on following questions:

- a. What should be the specific components of the modalities, procedures and guidelines (MPGs) for the transparency of action and support under Article 13, paragraphs 7, 8, 9, 10, 11, and 12?
- b. How should the transparency framework build on and enhance the transparency arrangements under the Convention, recognizing that the transparency arrangements under the Convention shall form part of the experience drawn upon for the development of the MPGs?
- c. With respect to the MPGs, how should flexibility for those developing countries that need it in the light of their capacities be operationalized?
- d. What other elements should be considered in the development of the MPGs, including, inter alia, those identified in paragraph 92 of decision 1/CP.21?

Also, an intersessional workshop is to be held in Bonn (16-18 March 2017) before the third part of the first session of APA (May 2017), which would deliberate on the themes covered in Parties’ submissions.<sup>1</sup>

<sup>1</sup> <http://unfccc.int/resource/docs/2016/apa/eng/04.pdf>



# Perspective of Parties

Thus far, Parties have identified various aspects of transparency, its MPGs, enhancement and associated flexibilities for developing Parties. For the purpose of this study we have focused on Parties with diverse views. This broadly covers all the different aspects of transparency arrangement which could be possible under Paris Agreement. Table 2 lists the Parties considered.

**Table 2: Parties considered for the study**

Parties	Group
China	Non-Annex I
USA	Annex I
Brazil, Argentina & Uruguay	Non-Annex I
European Commission on behalf of European Union (Submission is supported by Albania, Bosnia and Herzegovina, The Former Yugoslav Republic of Macedonia and Serbia) <sup>1</sup>	Annex I
Guatemala on behalf of The AILAC (Independent Alliance of Latin America and the Caribbean) group <sup>2</sup>	Non-Annex I
Bolivarian Republic of Venezuela on behalf of Like-Minded Developing Group <sup>3</sup>	Non-Annex I
Australia	Annex I
India	Non-Annex I

Given the complexity and breadth of the challenges with climate change negotiations, Parties believe that these MPGs would be the backbone of the future transparency framework that would help build mutual trust and confidence. It would enhance the credibility of the information reported, and hence reflect in the success of measures to fight climate change.

With the focus to build upon the existing MRV arrangement, Parties believe that a balanced approach towards transparency of action and support is necessary. Hence, future frameworks (of transparency) shall cover all aspects viz. mitigation, adaptation, finance, technology and capacity building. MPGs should recognize differentiated obligations of developed countries and developing countries, and acknowledge that Parties are at different starting points. Also, the proposed framework should be dynamic in nature, reduce uncertainty, increase the quality of information, support strengthening institutional arrangements and also strengthen review and consideration processes.

To progress in a balanced, holistic, and logical manner, APA needs to consider the responses of each Party and understand their position with respect to transparency. The following sections attempts to capture the position of the Parties on the basis submission made for APA questions.

<sup>2</sup> The Republic of Malta & The European Commission on behalf of The European Union and Its member States, 28 members of the European Union

<sup>3</sup> Members of AILAC group: Chile, Colombia, Costa Rica, Honduras, Guatemala, Panama, Paraguay And Peru

<sup>4</sup> Considered response from second APA meeting; Members: Argentina, Bolivia, China, Cuba, El Salvador, Ecuador, Iran, Nicaragua, Venezuela, Malaysia, Vietnam, Saudi Arabia and India. <http://pib.nic.in/newsite/PrintRelease.aspx?relid=126913>

## 1. What should be the modalities, procedure and guidelines for enhanced transparency framework?

MPGs would define reporting, review and multilateral consideration process for transparency framework. From the submission of Parties, three approaches with respect to elements of MPGs are seen:

- i. Common MPG - Referring to common reporting, common review and common multilateral consideration process.
- ii. Partially Common MPG – Not all the components are common.
- iii. Differentiated MPG – Based on existing transparency arrangement. Reporting, review and multilateral consideration components to be differentiated for developed and developing countries.

Table 3 below gives a snapshot of Parties view on MPGs (components/aspects) for enhanced transparency framework.

**Table 3: Perspective of Parties on MPGs**

Parties	MPG	Rationale
China	Differentiated	MPG to reflect differentiation among the developed & developing Parties. Same as existing transparency arrangement: Developed: BR, IAR, MA & Developing: BUR, ICA, FSA.
USA	Common	Focus should be on common tabular formats, common technical review and common facilitative, multilateral consideration of progress.
Brazil, Argentina & Uruguay	Partially Common	Common rule book based on the progression principle. Biennial Transparency Report (BTR) shall serve the purpose of submission, technical expert review where review requirements to reflect differentiation and FMCP that is analogous to FSV and MA under existing arrangement.
European Union	Common	MPGs are defined to be common with specific components such as reporting, expert review procedures and facilitative, multilateral consideration.
AILAC Group of Countries	Partially Common	Common guidelines and timeframe for biennial communications, technical review (Peers review for Parties with similar national circumstances), MCP should expand upon MA under IAR and the FSV under ICA.
Like Minded Developing Countries	Differentiated	MPG to reflect enhanced transparency rather than a “common” or “unified” framework. Differentiation must be fundamental to transparency framework. No compelling reason to abandon the existing transparency arrangements. Developed: BR, IAR, MA; Developing: BUR, ICA, FSA.
Australia	Common	Common MPGs of framework, best elaborated in the form of a single streamlined document with three sections of MPGs for: reporting, technical expert review and multilateral consideration of progress.
India	Differentiated	Need not reinvent the wheel, Paris Agreement emphasis to adopt common MPG, as appropriate, for the transparency of action and support. The “as appropriate” clearly provides a basis for differentiation of MPG for action and support for developed and developing countries.
Proposed India’s Response	Partially Common	Common minimum reporting template, transition phase from the ICA to technical expert review. Must be supported by relevant capacity building.

Source: CEEW analysis

## 2. What are the enhancement proposed under envisaged transparency arrangement?

Parties consider reporting to be entry point of discussion for enhancement (for developing countries) and is closely linked with a technical expert review process. Table 4 below captures key enhancement proposed for developed and developing country by each Party. Inclusion of improvement plans in reporting guidelines for developing countries and enhancement in transparency of support with respect to support provided or guaranteed were largely emphasized.

**Table 4: Perspective of Parties on Enhancement**

Parties	Enhancement Aspect		Rationale
China	Developed	Support provided, NDC	Provisions on how any support is new and additional; Quantified progress report of NDC.
	Developing	NDC	Qualified progress report on NDC.
USA	Developed	-	
	Developing	Reporting, Review	Reporting guidelines & review process; Inclusion of improvement plans in reporting guidelines.
Brazil, Argentina & Uruguay	Developed	Support provided, Review	Reporting and review of “ex post” & “ex ante” information on support; Also access to information in common tabular format.
	Developing	-	
European Union	Developed	-	
	Developing	Reporting, Review	Defined possible reporting and review guidelines; Guidelines to consider planned improvement over time.
AILAC Group of Countries	Developed	-	
	Developing	Support received, NDC	Reporting on support received by developing countries should be enhanced, including its use, impact and estimated results, especially in the context of NDCs.
Like Minded Developing Countries	Developed	Support provided, NDC	Reporting of indicative quantitative and qualitative information of projected levels of public financial resources to be provided to developing country Parties. BR/NATCOM to include progress in implementing NDCs.
	Developing	NDC, Support needed, Review	Establishment of arrangement that would identify support needs. Establishment of mechanisms, through the SCF, for measurement and review of amounts effectively received by developing country for purposes of implementation of their NDCs. BUR guidelines to report the progress in implementing NDCs.
Australia	Developed	-	
	Developing	Reporting	Inclusion of improvement plans in reporting guidelines.
India	Developed	-	
	Developing	-	
Proposed India's Response	Developed	Reporting, Support Provided, Registry	Mitigation actions section of the BR/ BUR can be reworked to enable tracking of NDCs; Reporting on ‘specific policies’ and actions that would contribute to making finance flows consistent with the needs of developing country parties; Capacity building portal to move beyond just capacity building and have a registry of finance flows and technical collaboration/ partnership efforts (with outcomes) that are arrived at after facilitative meetings and consensus between parties.
	Developing	Reporting, Support Received	Common minimum reporting categories and reporting on financial, technology, and capacity building support requirements are important elements in signalling efforts and conduct on part of developing parties and must be enhanced to make it a hard obligation.

Source: CEEW analysis

### 3. With respect to the MPGs, how should flexibility for those developing countries that need it, in the light of their capacities, be operationalized?

Views on flexibility for those developing countries (that need it in light of their capabilities), are still divergent. The reviewed responses indicate that the various positions are not mutually exclusive, but have some overlapping elements. Table 5 showcases different approach to flexibility by Parties- by use of IPCC methodology tiers; systematically applied in to all elements of MPGs (scope, level and detail of reporting; frequency of reporting and review); by the use of hard (“shall”) and soft (“should”) obligations; options to determine nationally or conditional on the support needed and provided.

**Table 5: Perspective of Parties on flexibility**

Parties	Flexibility Approach	Rationale
China	Optional Manner	Specific areas of flexibility not defined since submission is based on differentiation among the Parties. As differentiation is fundamental, this also pervades all aspects of the agreement - Scope of reporting, frequency and level and detail of reporting
USA	Decision Tree Analysis	Decision tree to decide flexibility via a series of questions: Step 1: Does fulfilling the provision depend on a country's technical or institutional capacity? Step 2: Do Parties already have sufficient discretion with respect to fulfilling the provision? Step 3: What specific flexibility is required for the said provision?
Brazil, Argentina & Uruguay	Opt-in Opt-out Basis	Opt-in, Opt-out flexibility across the MPGs (Reporting, review & MCP). Flexibility associated to capacity that is further linked to financial support.
European Union	Individual Provisions	Defined in relation to specific individual provisions. For e.g. Institutional arrangement, reporting base year, hosting in-country review etc.
AILAC Group of Countries	Embedded within elements of MPG	To be reflected in elements of MPG. IPCC methodology provides flexibility, reporting frequency, reporting on adaptation, timeframe of flexibility linked to financial support. Flexibility for developing countries for type of vehicle used for reporting national adaptation actions and plans.
Like Minded Developing Countries	Differentiation	Differentiation forms the basis of flexibility due to their insufficient capacities in areas of statistics, institutional arrangements, and necessary resources, and exercised at all stages of reporting, technical expert review and facilitative multilateral consideration. It can be waived only if Party clearly and explicitly states that it does not need such flexibilities.
Australia	Rationale Based	When choosing to apply flexibility options, Parties should explain the rationale for the choice in order to maintain transparency and provide information on capacity gaps and needs.
India	Differentiation	As differentiation is fundamental, this also pervades all aspects of the agreement - Scope of reporting, frequency and level and detail of reporting.
Proposed India's Response	Rationale Based	Flexibility to developing countries in the choice of IPCC methodology (tiers) and reporting level (coverage) must be given, with a grace period that allows a transition to a common minimum reporting format; Reporting on NDC achievements, as the metrics are not easily computed and the data gathering mechanisms are unlikely to be fully tested in the short term; Transition phase needed from technical analysis of ICA to technical expert review.

Source: CEEW analysis

#### 4. What other elements should be considered in the development of the MPGs?

Parties want to establish a mechanism that would facilitate implementation and promote compliance with the provisions of the Transparency Arrangement. Table 6 showcases a list of possible additional matters that needs to be focused relating to its implementation. More efforts have to be made in understanding the transition requirements of developing country Parties, ensuring that no additional burden is created for them. Hence, the functioning of Capacity-building Initiative for Transparency (CBIT) and Paris Committee on Capacity-building (PCCB) would be critical to facilitate capacity building and provide adequate support to Parties that need it light of capabilities.

**Table 6: Additional matters to be considered for transparency arrangement**

Parties	Key Area	Rationale
China	Principle	<b>Minimum transparency requirements</b> to be fulfilled for developing country as some existing arrangements are already very challenging for them.
USA	Timeframe	Considers different starting points and improvement rates in quality of reporting.
Brazil, Argentina & Uruguay	Support	<b>Agreed full cost basis transition.</b> CBIT & PCCB to support for transparency.
European Union	Timeframe	<b>Review process to ensure sufficient time</b> to developing countries in implementing recommendations.
AILAC Group of Countries	Review	<b>Peer review process</b> for countries with similar national circumstances. Guidelines to define what constitute support received.
Like Minded Developing Countries	Support, Timeframe, Principle	Agreed full cost basis for all reporting functions to support developing country. Transition period for developing Parties to shift to enhanced transparency framework from existing arrangement. Defined layer approach for developing countries that provides a menu of options on frequency, methodologies, detailed reporting items (or levels of detail) and review approaches, to choose in a nationally determined manner.
Australia	Adaptation	Should aim to avoid unnecessary duplication with these processes and <b>capitalize National Adaptations Plans</b> for communicating adaptation needs and actions.
India	Principle	Agreed full cost basis for reporting provisions for developing country. MPG to reflect <b>common but differentiated responsibilities and respective capabilities</b> . The progress on action should have clear correlation with the promised support.
Proposed India's Response	Principle	Enhancement must continue to honour the common but differentiated responsibilities, commensurate to respective capacities. Paris Agreement is an agreement on obligation of conduct and not on outcomes or results. Keeping this in mind, we propose two levels of transparency provisions: First level is a stringent one with less flexibility that pertains to 'conduct'. This must be held to high levels of transparency. The second level of transparency is one pertaining to outcomes. Given the difficulties in tracking outcomes, transparency can be brought in, in a phased manner.

Source: CEEW analysis

# Navigating through the various Positions

Diverse views of the Parties on transparency issue clearly indicates the sensitivity associated with it. These views can broadly be classified in three different positions which we nominally refer to as Approach 1, Approach 2 and Approach 3.

**Approach 1:** Parties consider transparency should be based on differentiated responsibility. They believe that the existing transparency arrangement serves that purpose, as it is based on common but differentiated responsibility in light of capabilities. Hence, developed countries are to follow the rigorous transparency arrangement in form of NATCOM, BR, CTF, IAR – MA while developing have simpler reporting and review format in form NATCOM, BUR, ICA – FSV. Enhancements are proposed for the new provisions like NDC reporting and climate finance. Further, more emphasis is given to financial support provided, as climate finance being an extremely sensitive subject for the developing countries. Since, MPGs are established on the basis of differentiation among the Parties, flexibility is embedded with that differentiation. Like-minded developing countries along with China and India reflect this position.

**Approach 2:** Parties believe that common MPGs are essential for enhanced transparency framework. However, transition to common MPGs for Developing Parties should reflect differentiation. This transition is linked with enhancing the capabilities of the Parties which is further linked with support provided. Hence, Parties are considering enhancement in reporting and review process, and seeing transition as the key aspect of flexibility by allowing for an opt-in or opt-out rule. Brazil, Argentina, Uruguay along with AILAC group of countries signifies this position.

**Approach 3:** Common MPG is a must for comprehensive and balanced approach to transparency. This approach would place all the Parties at same level in terms of reporting, review and facilitative consideration process. Decision tree to decide flexibility to Developing Parties via steps of question against any provision. Hence, Parties that are ask for flexibility must establish the rationale for this and come up with plans to augment capacity and transparency, which would be included during the review process.

Table 7 summarizes Parties current position with respect to transparency. While these submissions proved constructive, much still remains to be clarified in the lead up to 2018. With approach 2 appears to be the way ahead, follow up work is even more vital as it need to ensure convergences of views on transparency aspects in a balanced manner. APA has to move ahead with in-depth discussion with Parties and eventually lead to transformation these discussions into required “modalities, procedures and guidelines for enhanced transparency framework”.

**Table 7: Summary of Positions of Parties for enhanced transparency framework**

Country	Position	MPG	Enhancement	Flexibility	Other Key Aspect
China	Approach 1	Differentiated	Provisions on how any support is new and additional; Quantified progress report of NDC for developed and qualified for developing country.	Optional Manner (Not specifically defined)	Minimum transparency requirement for developing countries
USA	Approach 3	Common	Inclusion of improvement plans in reporting guidelines for developing country	Decision Tree Analysis	Considers different improvement rates for Parties
Brazil, Argentina & Uruguay	Approach 2	Partially Common	Reporting and review of “ex post” & “ex ante” information on support provided; Also, access to information in common tabular format during review process.	Opt-in & Opt-out across MPGs	Agreed full cost basis transition for developing countries
European Union	Approach 3	Common	Defined possible reporting and review guidelines. Guidelines to consider planned improvement over time.	Defined in relation to specific individual provisions	Dynamic System of continuous improvement
AILAC Group of Countries	Approach 2	Partially Common	Reporting on support received by developing countries should be enhanced, including its use, impact and estimated results, especially in the context of NDCs	Reflect in elements of MPG	Peer review process, Specific focus on Adaptation flexibility
Like-minded Developing Countries	Approach 1	Differentiated	NDCs reporting in BR/BUR; Reporting of indicative quantitative and qualitative information of projected levels of public financial resources to be provided; Establishment of process to identify support needs, and measurement and review of amounts effectively received by developing country for purposes of implementation of their NDCs.	Differentiation forms the basis of flexibility	Agreed full cost basis for reporting provisions for developing country, Transition period for existing to enhanced transparency arrangement.
Australia	Approach 3	Common	Inclusion of improvement plans in reporting guidelines for developing countries	Rationale for choice of flexibility	National Adaptations Plans for communicating adaptation needs and actions
India	Approach 1	Differentiated	-	Differentiation forms the basis of flexibility	Agreed full cost basis for reporting provisions for developing country, CBDR
Proposed India's Response	Approach 2	Partially Common	Common threshold reporting & NDCs reporting in BUR/BR; Reporting on specific policies' and actions that would contribute to making finance flows consistent with the needs of developing country parties; Capacity building portal to have a registry of finance flows and technical collaboration/ partnership efforts (with outcomes); Reporting on financial, technology, and capacity building support requirements for developing parties must be enhanced to make it a hard obligation.	Rationale based	On the basis of CBDR defined two levels for transparency: a) Transparency on outcome b) Transparency on conduct

Source: CEEW analysis



# Annexures

## Options for India at the Negotiation table

As per the provisions of the decisions from COP17 and COP19, India submits a BUR every two years and a NATCOM every four years. India enjoys the benefit of an ICA and a facilitative sharing of views – which form the basis for feedback and improvement of the BUR in subsequent years.

Clearly, the current MRV regime offers significant flexibility (on account of India's capacity and state of development), and it is unlikely that any new provisions under a new (envisioned) transparency regime that is being discussed, will offer increased 'flexibility'. However, it is necessary for India to meaningfully drive the discussions on an enhanced transparency framework – both to hold the developed world accountable to their commitments, and also to ensure that those elements of the transparency framework that were hitherto not the focus, do end up getting their due.

As recognised in India's first BUR submission, for many sectors and schemes, India has well-established performance and financial monitoring systems. However, this monitoring and review is confined only to specific projects (and some schemes) and is limited to few parameters only. Thus, no comprehensive mechanism exists in India, to report the overall impact in terms of GHG emission reduction and other benefits. India is undertaking efforts to set up a National Inventory Management System (NIMS) and develop an integrated domestic MRV system, and experiences from other countries will certainly help in framing a better solution for the needs of India.

### **What changes can India suggest in order to make the MRV process more relevant and impactful?**

As suggested by GoI in the earlier submission to the APA, on agenda item 5 (refer: FCCC/APA/2016/INF.3, dated 7 October, 2016), "the Paris agreement need not reinvent the wheel", unless there are identified loopholes in the existing transparency regime of action and support.

It is important to note that the existing MRV regime (which was setup pre-Paris) does not have the necessary provisions to cover the Paris agreement in its entirety. One such aspect is the transparency in tracking progress made in implementing and achieving its NDCs (article 4). Further, the first global stock take (which is due in 2023) would require a more consistent approach, common reporting timelines (though developing country parties have flexibility under existing MRV regime). MOEFCC should highlight the below mentioned aspects of the Paris agreement to ensure that the collective requirement of developing countries for financial, technical, and capacity building support from the developed countries is met. The objective would be to establish a high level of transparency from the developed countries on the provisions that directly impacts the support required by the developing countries, and hence overall achievement of climate mitigations pledged under the Paris agreement.

In light of this background to MRV and the status of implementation within the country, following are the responses to the questions raised by the APA:

**Question 1: What should be the specific components of the modalities, procedures and guidelines (MPGs) for the transparency of action and support under Article 13, paragraphs 7, 8, 9, 10, 11, and 12?**

**Article 13 (Para 7a) calls for a national inventory report of anthropogenic emissions by sources and removals by sinks of greenhouse gases, prepared using good practice methodologies accepted by the IPCC and agreed upon by the Conference of the Parties serving as the meeting of the Parties to this Agreement;**



Decision 1/CP.21 (para 90) suggests that all parties shall report (at least) on a biennial basis, on various information referred to in Article 13, pertaining to climate change actions. For an effective global stocktake, common minimum thresholds of reporting would be necessary. Hence, each party should cover common reporting heads (providing what is deemed as absolutely essential) and this will reflect the common elements of the MPG. The Biennial Report (BR) and Common Tabular Format (CTF) (for developed countries) and Biennial Update Report (BUR) (developing countries) are already designed to provide a comprehensive view of anthropogenic emissions and efforts to abate climate change impacts. Tracking progress of commitments made under the Paris Agreement are just an extension (or a special case) of the role of these periodic reports. Modifications/ enhancement in existing reporting guidelines (NATCOM, BUR/BR) could be considered to capture any missing elements. Utilising this existing reporting modality would avoid the burden of any systemic changes required for both parties – developing and developed (Refer Table 8, Paragraph 7a).

#### **Article 13 (Para 7b): Information necessary to track the progress of NDC**

The NDC is the core of the Paris agreement and represents the pledges taken by all parties in order to achieve long term goal of keeping temperature rise to within 2 degrees. Article 4 (para 13) requires all parties to account for the progress on NDCs. This accounting requires specific modalities (to be established) on the format and frequency of recordkeeping. Existing reporting guidelines of BUR/BR, which have a specific provision to report on mitigation actions, may have to be enhanced to incorporate these modalities and that will help in reflecting NDC achievement and progress -given their importance in the lead up to a stock take. If the provisions of the BUR/BR to report on mitigation actions are enhanced, developing countries will not have to specifically create another reporting structure for NDC. In-addition it would facilitate a seamless reporting of action on mitigation, adaptation and support and accord equal importance to all elements (currently, the BUR mandates reporting on mitigation while making adaptation reporting a soft-obligation). However, the nature of reporting required for NDCs is likely to have more stringent requirements on comparability and timeliness. (Refer Table 8, Paragraph 7b))

**Article 13 (Para 8, incidentally the smallest paragraph in the article): Each Party should also provide information related to climate change impacts and adaptation (under Article 7), as appropriate.**

It is unlikely that temperature rise will be limited to 2 degrees and ensuring that commensurate efforts in adaptation will have to be incorporated into the stock take. Adaptation will be a key component of climate change management and is codified under the Cancun Adaptation Framework. Despite this, there is not enough recognition within the framework on the importance of adaptation related efforts to (the needs of) developing country parties. To ensure that support from developed countries will continue to come to developing parties in a programmatic manner, **creating a registry that not only documents National adaptation plans (like NAP Central managed by the UNFCCC)**, but also implemented projects, experiences and lessons learned, will be beneficial and will give equal importance to adaptation actions within the BUR. This will also inform the science, planning, policies and implementation of adaptation actions in other countries. Such a comprehensive adaptation registry could be incorporated into the MPG of transparency and can become the basis for a **stock take of adaptation efforts and the gap**. (Refer Table 8, Paragraph 8))

**Article 13 (Para 9): Information to be provided by developed parties (shall) on climate finance, technology transfer and capacity building support under article 9, 10, 11**

A related provision under Article 2 (Para 1c) states that finance flows must be consistent with pathways towards low carbon development and climate-resilient development. However, ‘developed parties’ are not mandated (if one focuses on the current structure of the BR) to undertake or report on ‘specific policies’ and actions that would contribute to making finance flows consistent with the needs of developing country parties.

**Article 9 (Para 5)** says that *“developed country parties shall biennially communicate quantitative and qualitative information... related to... projected levels of public finance resources being provided to developing country parties”*

More specific reporting on financial requirements is necessary to ensure greater transparency. This provision would mean that developed country reporting will have to be more precise in providing information on financial support extended. This should encompass overall process of planning for support, documenting projected/planned levels of support in the light of country specific needs on mitigation and adaptation. In addition to mandating more reporting, **facilitative dialogues** (at periodic intervals) must be enabled to ensure that developing country parties and developed country parties are able to match the needs and expectations (from developing country parties) and the total available resources (from developed country parties) in a transparent manner and allocate funding in a transparent manner. Better reporting is a prerequisite for these facilitative dialogues.

Similarly, when it comes to the **technology framework for development and transfer** (spelt out in Article 10), there is little clarity on how progress will be established. While the article does refer to the inclusion of efforts in technology development and transfer, reporting is again an important first step in enabling the stock take. **Capacity building efforts** (spelt out in Article 11), again are not documented appropriately in either the BUR. Dedicated provisions to report on efforts undertaken by developing parties and the support extended by developed country parties will help understand the gap in capacity building efforts and developing suitable programs. (Refer Table 8, Paragraph 9, 10)

India has reiterated its stance of continuing with existing norms on transparency under the extant MRV regime (CP.16, CP.17, CP.18). However, the Paris agreement brings along additional responsibilities which require additional transparency provisions. A better stock take of NDC and information on financial, technology transfer, and capacity building support are among such provisions. Article 13 proposes a ‘technical expert review’ as one modality to bring transparency into these provisions vis-à-vis developed parties. (Refer Table 8, Paragraph 11, 12) For those developing countries desiring to undertake enhanced reporting of finance, capacity and implementation, there is an element of flexibility, as it says that “the review process shall include assistance in identifying capacity-building needs”. India must push for enhanced provisions, while utilising this option to build capacity and push the dialogue in a progressive direction.

**Question 2: How should the transparency framework build on and enhance the transparency arrangements under the Convention, recognizing that the transparency arrangements under the Convention shall form part of the experience drawn upon for the development of the MPGs?**

As discussed in the response to the earlier question, there are few areas where the transparency framework can be enhanced, drawing on the experience from existing transparency provisions.

The transparency framework must promote effective implementation of the Paris agreement and must be able to accommodate the rapidly changing landscape – both in terms of global climate change related priorities and the national priorities. It should address the needs of developing countries and build mutual trust and confidence among the parties.

Specifically, it must focus on reducing the uncertainty of action and support, and strengthen the existing arrangement by identifying the lacunae that have resulted in an overwhelming feeling that developing and developed country parties are at odds on the extent of support received and extended. As proposed in response to the earlier question, creation of a registry that documents finance received and given and the specific areas that have been addressed, the balancing between mitigation and adaptation related support and action will enable parties to address gaps going forward. Unilateral efforts (on part of developing or developed country parties) to estimate/ justify funding received and given may result in discord and loss of trust.

Capacity building is essential for developing countries to strengthen their domestic transparency systems and a clear list/ registry of efforts undertaken (either solely by developing country parties or in conjunction with developed country parties), the quality of efforts must be created. Efforts must be made to objectively determine the capacity level of various developing country parties, after such capacity building efforts have been undertaken over a given period of time.

An extensive (more than 30) review of technology partnerships (to enable development or transfer) has shown that that very few had been designed to extend beyond sharing knowledge and some preliminary R&D activities. Even fewer had enlarged functional focus on actual transfer of equipment, joint production, or extensive deployment mandates. Mostly, we have been hanging our hopes on talk shops. Clearly, the MRV framework that is currently in use is not able to identify gaps in the way technology is transferred or developed (appropriate for various countries).

A UNFCCC portal which details out capacity building efforts of parties, does not do justice to technology and support related actions, given the contentious nature of the two subjects. Creation of a comprehensive **climate registry (that focuses on all three elements)** could facilitate this, as it would help reconcile finance, capacity building and technological support needed by developing countries and the support provided by developed countries. This would help to establish a clear relationship between commitment and outcome, at least on these three issues.

We believe that this is an important input that negotiators must take to the next round of discussions – to understand if how we measure progress in finance, capacity building and technology transfer, has actually meant that these have been delivered to those in need.

**Question 3: With respect to the MPGs, how should flexibility for those developing countries that need it in the light of their capacities be operationalized?**

As highlighted in the previous two responses, there is an inherent need to enhance the provisions of transparency. This enhancement must continue to honour the common but differentiated responsibilities, commensurate to respective capacities.

The key issue to remember with the Paris Agreement is that it is an agreement is an obligation of conduct and not on outcomes or results. Keeping this in mind, one can suggest that two levels of transparency provisions must be applicable – at least on the developing country parties.

The first level, is a stringent one with less flexibility, that must address capacity building efforts, reporting on financial support received and on technology development/ transfer efforts that have been undertaken in partnership with the developed world. All these constitute ‘conduct’ and must be held to high levels of transparency. After all, resources are being expended by various parties in this process and the transparency provisions must duly respect this. It also communicates to the world that the intent is in the right place.

The second level of transparency is one pertaining to outcomes. In a country, as large and diverse as India, with different levels of governance, that have made a domestic MRV process (of climate action) complicated, the transparency provisions associated with monitoring outcomes must remain flexible. Despite the best capacity building efforts, able financial support and the availability of technology, monitoring outcomes is a cumbersome task that requires many new systems to be put in place. In a democratic setup with many existing processes and protocols, the monitoring and verification of action is particularly challenging. Even while monitoring outcomes, perhaps the ones that inform the first global stocktake in 2023 are crucial. It is the responsibility of both developing country parties and developed country parties to put forward their best estimates on action and impact so that future course can be determined in pursuit of the stated climate change goals. Flexibility on reporting outcomes must be retained. Special care must be taken to ensure that

in reporting outcomes, at least towards the first stocktake in 2023, best possible estimates are put forward. Hence, any flexibility provisions availed must be based on a sound rationale.

Finally, it is important to further make clear why the transparency systems are separated for conduct and outcomes. Conduct, in a democratic system, is easily tracked even with existing systems and processes. Outcome, which is contingent on a variety of factors, is not guaranteed or easily measured, even for domestic policies (even in matters not pertaining to climate change). There are benefits of having good measuring and reporting systems on the outcomes as well. They will better inform domestic policy, budget allocation and promote the right set of incentives – both for mitigation and adaptation. This comes at the cost of added administrative burden. There are provisions in the Paris Agreement to ensure that this burden is shared with the developed world and appropriate capacity building programs are put in place to enable transparency is possible in as many areas. The onus must be on developing countries to take benefit of such capacity building efforts. They must document the number of such efforts and their effectiveness, and establish true domestic capacity to enhance transparency. Even in this, the conduct is more important than outcome. It is very likely that transparency of efforts meant to illustrate conduct will ultimately result in transparency of outcomes as well.

Developing countries could avail flexibility in reporting and review provisions in light of their capacities. As each Party, would cover common reporting elements, flexibility to developing countries in the choice of IPCC methodology (tiers) and reporting level (coverage) must be given against this common reporting template. Also, flexibility in reporting NDC achievements must be reflected, as the metrics are not easily computed and the data gathering mechanisms are unlikely to be fully tested in the short term. A technical expert review (TER) of relevant sections, for comparison purposes and for the global stock, could supersede the provisions of the technical analysis of ICA and result in an enhanced review process of specific sections of the BUR. A transition phase from the ICA to TER for these sections must be discussed and relevant capacity building efforts sought. Also, sufficient time should be provided to Parties that allows a smooth transition for this reporting and review is essential. (Refer Table 8, Column: Enhancement/Flexibility)

**Table 8: Proposed India's Opinion on enhanced transparency framework**

Paragraph	Aspect	Applicability	Modality	Enhancement/Flexibility	Rational
7 a)	Inventory reporting of Anthropogenic emissions by sources and removal by sinks	Developing Parties	Existing reporting guidelines: BUR and BR	<p><b>Enhancement:</b> Modifications in existing reporting guidelines (NATCOM, BUR/BR) to reflect common minimum thresholds of reporting.</p> <p><b>Flexibility:</b> Despite the need for a common minimum reporting template, flexibility to developing countries in the choice of IPCC methodology (tiers) and reporting level (coverage) must be given, with a grace period that allows a transition to a common minimum reporting format.</p>	Each party should cover the common reporting category (minimum threshold of information) necessary, reflecting the commonality. Hence, modifications/ enhancement in existing reporting guidelines (NATCOM, BUR/BR) should be considered. Utilising this existing reporting modality will avoid the undue burden to developing party.
7 b)	Track progress made in implementing and achieving NDCs under Article 4	Developing Parties	Modifying reporting provision under BUR/BR submissions	<p><b>Enhancement:</b> In order to report on NDC implementation and achievements, it is not necessary to create new reporting mechanisms. The mitigation actions section of the BR/ BUR can be reworked to enable tracking of NDCs.</p> <p><b>Flexibility:</b> While developing countries enjoy flexibility in reporting what was achieved under various mitigation actions (within the BUR), the same flexibility will have to be extended to reporting on NDC achievements, as the metrics are not easily computed and the data gathering mechanisms are unlikely to be fully tested in the short term.</p>	Enhancing the provisions of the BUR/BR to cover all different types of NDC. By this provision developing countries will not have to specifically create another reporting structure for NDC. In-addition it would facilitate a seamless reporting of action on mitigation, adaptation and support and accord equal importance to all elements (currently, the BUR mandates reporting on mitigation while making adaptation reporting a soft-obligation).
8	Adaptation	All Parties	Expanding the existing public registry (Article 4, P.12) such as NAP Central	<p><b>Enhancement:</b> Already a provision exists. As per SBI 44 agenda item 6, adaptation registry must be expanded to include adaptation action, lessons, documenting case-studies, best practices to inform the science and policy makers on what works and what does not.</p>	Creating a registry would document the adaptation plan, implemented projects, experiences and lessons learned. It will be beneficial and would give equal importance to adaptation actions within the BUR. This will also inform the science, planning, policies and implementation of adaptation actions in other countries.

**Table 8: Proposed India's Opinion on enhanced transparency framework**

Paragraph	Aspect	Applicability	Modality	Enhancement/Flexibility	Rational
9	Information on financial, technology transfer and capacity-building support provided to developing country parties	Developed Parties	Enhancing reporting details mandated in BR	<p><b>Enhancement:</b> As per Article 9 (Para 5), there is a provision for developed country parties to report on 'specific policies' and actions that would contribute to making finance flows consistent with the needs of developing country parties. Further, this should encompass overall process of planning for support, documenting projected/planned levels of support in the light of country specific needs on mitigation and adaptation.</p> <p>It could also be recommended to <b>broaden the scope of UNFCCC Capacity building portal</b> to move beyond just capacity building and have a registry of finance flows and technical collaboration/ partnership efforts (with outcomes) that are arrived at after facilitative meetings and consensus between parties. Unilateral/ bilateral/ like-minded groups coming out with conflicting publications must be dis-incentivized</p>	This provision would mean that developed country reporting will have to be more precise in providing information on financial support extended. In addition to mandating more reporting, facilitative dialogues (at periodic intervals) must be enabled to ensure that developing country parties and developed country parties are able to match the needs and expectations (from developing country parties) and the total available resources (from developed country parties) in a transparent manner and allocate funding in a transparent manner.
10	Information on financial, technology transfer and capacity-building support needed and received	Developing Parties	Enhancing reporting in BUR	<p><b>Enhancement:</b> Developing countries have been given flexibility of reporting on financial, technology, and capacity building support requirements by making it a soft obligation. However, these are important elements in signalling efforts and conduct on part of developing parties and must be enhanced to make it a hard obligation.</p>	This provision would help build mutual confidence and trust among the Parties as Developed Parties would be able to relate how and where developing parties have utilised support. This would further ensure higher transparency on conduct and efforts for developing country.
11,12	Technical expert review of information submitted under para 7 and 9	Developing Parties	Review provisions for specific portions of BUR which are relevant to para 7 and para 9	<p><b>Flexibility:</b> Developing countries already enjoy a flexibility in BUR reporting (and are subject only to an ICA) as compared to IAR process of BRs submitted by developed country parties. A technical expert review of relevant sections - to enable standardisation of reporting, for comparison purposes and for the global stock take is essential. To that extent, the technical expert review, could supersede the provisions of the ICA and result in an enhanced review process of specific sections of the BUR. A transition phase from the ICA to TER for these sections must be discussed and relevant capacity building efforts sought.</p>	Initially, for developing countries technical and multilateral assessment without any assistance would be difficult. A transition to technical assessment has to go through consultation/ facilitative sharing via International consultation and analysis that will help developing countries to build technical capabilities and prepare them for technical assessment. Hence, for those developing countries desiring to undertake enhanced reporting of finance, capacity and implementation, the element of flexibility in the review process shall include assistance in identifying capacity-building needs.

Source: CEEW analysis







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