

GEF Council Meeting

May 25 – 27, 2014

Cancun, Mexico

**PROPOSALS FOR THE IMPROVEMENT OF THE METHODOLOGY OF
GREENHOUSE GAS EMISSION REDUCTION CALCULATIONS**

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INTRODUCTION

1. In its conclusions, the 45th meeting of the GEF Council requested the GEF Secretariat, in collaboration with the Scientific and Technical Advisory Panel (STAP) and other relevant entities, to continue its work on the improvement of the methodology of greenhouse gas (GHG¹) emission reduction calculations. The Council also requested the Secretariat to engage in a dialogue to improve: (i) the assessment of direct GHG emission reduction during project implementation and at completion, and; (ii) the estimation of indirect GHG emission reduction. The Council requested the Secretariat to report back by the next Council meeting (May 25 to 27, 2014) with proposals on the way forward.

2. To develop the proposals presented below, the Secretariat, in collaboration with the STAP, organized:

- (a) An information exchange session on February 20, 2014 to initiate a discussion on possible ways to improve GEF existing methodologies and better quantify the climate change mitigation impacts of GEF projects. The session involved participants from the Secretariat, the STAP, the GEF Agencies, and qualified experts who had participated in the design of the GHG emission reduction calculations methodologies that the GEF is currently using;
- (b) A dialogue meeting on March 24, 2014 to help the GEF Secretariat design and draft proposals on the way forward to improve existing GEF GHG emission reduction calculation methodologies, and to better quantify the climate change mitigation impacts of GEF projects. The session involved participants from the Secretariat, the STAP, and the GEF Agencies.

3. As a result of these two meetings, the Secretariat developed proposals on the way forward to improve GEF methodologies and practices for GHG emission reduction calculations, as presented in this information document.

RESULTS OF THE INITIAL DIALOGUE

4. During the meetings convened in February and March 2014, participants identified a set of proposals for the GEF to improve: (i) the assessment of direct GHG emission reduction during project implementation and at completion, and; (ii) the estimation of indirect GHG emission reduction.

5. Regarding the assessment of direct GHG emission reductions during project implementation and at completion:

- (a) The GEF already has GHG accounting methodologies for the estimation of direct *ex-ante* GHG emission reduction impact for the transportation sector, renewable energy and energy efficiency. Therefore, further work on methodology

¹ The GHGs are carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), perfluorocarbons (PFCs), hydrofluorocarbons (HFCs), and sulphur hexafluoride (SF₆).

development needs to be differentiated by sector. In particular, participants agreed on the need to include a specific effort for Land Use, Land Use Change and Forestry (LULUCF), as well as for urban sectors in which GEF methodologies are not yet available. This sector-based work has to take into account methodologies developed by GEF Agencies and within the context of the United Nations Framework Convention on Climate Change (UNFCCC).

- (b) There is a need for a robust mechanism enforcing the use by Agencies of GEF GHG accounting methodologies for the estimation of GHG emission reduction impact at three points in the cycle phases of all GEF projects, namely: (i) at project submission; (ii) during project implementation, and; (iii) at project completion. Within such mechanism, the GHG impact calculation during project implementation and at project completion needs to clarify the assumptions used and to update, as necessary, the values of parameters such as emission factors, capacity factors, and timescales.
- (c) The GEF partnership should identify and promote the use of existing meta-datasets that provide readily available, standardized information for the estimation of GEF projects GHG mitigation impacts.

6. Regarding the estimation of indirect GHG emission reduction:

- (a) Each project proposal should clarify: (i) the expected catalytic impacts beyond project completion, including replication, scaling up, or market transformation, and; (ii) the expected causal pathways between project activities and the catalytic impact.
- (b) Each project should put in place a monitoring system that could work beyond project completion in order to track its ex-post impact;
- (c) The project reporting during implementation and at completion should include a reporting on its indirect impacts. This reporting should not be limited to GHG emission reduction numbers; it should include a qualitative analysis of the project's catalytic impact, following the Evaluation Office framework used in the Annual Impact Report presented at the 45th GEF Council meeting².
- (d) The definition of indirect impacts should be improved and include a distinction between high and low levels of confidence in the causal link between project activities and the indirect impact. The improvement of the definition could also serve as an opportunity to modify the terminology (for instance by specifically changing "Indirect emissions" to "Consequential emissions") in order to prevent confusions with the use of the word "indirect" in other contexts, such as in the reports of the Intergovernmental Panel on Climate Change (IPCC³).

² This framework distinguishes mechanisms and activities developed by the project that can be sustained (after completion), replicated, scaled up, or that can lead to market changes. The framework also distinguishes if the catalytic impact of the project: (i) would not have happened without the GEF, or; (ii) would have happened without the GEF, but at a slower speed, or; (iii) would have happened without the GEF, but with a lower quality of outcomes.

³ The IPCC developed "Guidelines for National Greenhouse Gas Inventories", available at: <http://www.ipcc-nggip.iges.or.jp/public/2006gl/>.

PROPOSAL FOR THE WAY FORWARD

7. In order to define detailed practical modalities for the execution of the above proposals, the GEF Secretariat proposes to establish three targeted technical Working Groups (presented in Table 1). Each Group will work on a sub-set of the proposals described above through a series of in-depth meetings, preparing detailed proposals for the GEF regarding methodology improvements.

Table 1: Proposed technical Working Groups

	Objectives
Working Group I	<ol style="list-style-type: none"> 1. To propose improvements to the existing GEF GHG accounting methodologies for the estimation of direct ex-ante GHG emission reduction impact of projects related to the transport sector, renewable energy and energy efficiency. 2. To propose a new GEF GHG accounting methodology for the estimation of urban projects' GHG emission reduction impact. 3. To propose guidance on how to strengthen the usefulness of estimated and reported indirect impact of projects related to the transport sector, renewable energy, energy efficiency, or low-GHG urban development.
Working Group II	<ol style="list-style-type: none"> 1. To propose a new GEF GHG accounting methodology for the estimation of the climate change mitigation impact of projects related to LULUCF. 2. To propose guidance on how to strengthen the usefulness of estimated and reported indirect impact of projects related to LULUCF.
Working Group III	<ol style="list-style-type: none"> 1. To propose a robust mechanism to enforce, in all GEF projects requesting funding for climate change mitigation, the use of GEF or GEF-compatible⁴ GHG accounting methodologies for the estimation of projects' GHG emission reduction impact (i) at project submission, (ii) during project implementation, and (iii) at project completion. 2. To develop guidance on how, at project implementation and project completion, Agencies should clarify the assumptions used and update the values of parameters such as emission factors, capacity factors, and timescales. 3. To identify existing meta-datasets that can provide readily available

⁴ I.e. methodologies developed or used by GEF Agencies that are of equivalent or better quality than the GEF developed methodologies.

	<p>standardized information for the estimation of GEF project impact, proposing means to use them systematically in GEF projects.</p> <p>4. To develop guidance on how project proposals should (i) identify what their expected catalytic impact (replication, scaling up, or market transformation) would be beyond project completion, and (ii) describe the expected causal pathways between project activities and the catalytic impact.</p> <p>5. To develop guidance on how projects should include activities to put in place the conditions for having a monitoring system that can work beyond project completion to track the project's impact after completion.</p> <p>6. To develop guidance on how projects could report, during implementation and at project completion, on the projects indirect impact including on the qualitative assessment of the project catalytic impact (see footnote 1).</p> <p>7. To propose an improved terminology for the indirect impact of GEF projects.</p>
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8. Each technical Working Group will involve one or two representatives of the Secretariat, two country representatives (one from a donor country and another from a recipient country), two to three representatives of GEF Agencies, a representative from the Evaluation Office and a representative from the STAP. Each Group may invite experts to help them with specific issues. In case a Group identifies a need for consultancy support, it should contact the Secretariat to enquire about the possibility to fund consultants.

9. The technical Working Groups will convene in June 2014 and work until January 2015 to draft detailed proposals. These proposals would first be presented for discussion to a larger GEF audience (i.e. the participants of the March 2014 dialogue meeting) and then presented for approval to the GEF Council in May or June 2015.

10. The Working Groups will initiate their work on the basis of draft terms of reference prepared by the Secretariat. These terms of reference may be modified and completed by each Working Group.

11. The propositions of the three Working Groups are expected to maintain the right balance between the need to improve the quality of GHG mitigation impact estimation in GEF projects and the need to avoid unnecessary additional requirements for GEF Agencies developing and implementing GEF projects.

12. Working Groups I and II are expected to take stock of the actual use of existing GEF GHG accounting methodologies in GEF projects, to take into account methodologies developed or used by GEF Agencies, as well as to consider relevant activities and conclusions about GHG accounting within the UNFCCC.

13. Given the need to develop new methodologies, the activities of Working Groups I and II may extend beyond the proposals that are expected to be presented to the GEF Council meeting in May or June 2015.

14. Working Group III is expected to exchange regularly with the two other Groups to ensure coordination in the work of the three Groups, particularly for its third and fourth objectives. For these two objectives, Working Group III is expected to ensure that its conclusions and propositions are not conflicting with the work of the two other Groups, and also that the conclusions and propositions of the two other Groups are properly taken into account in its own conclusions and propositions. Among the means to ensure such coordination, Working Group III is expected to organize a mid-course consultation with the two other Groups in November 2014, at the margin of the GEF Council meeting.