INCLUSIVE FORUM ON
CARBON MITIGATION APPROACHES

Overview of the Inclusive Forum on Carbon Mitigation Approaches Carbon Intensity Workstream

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BETTER POLICIES FOR BETTER LIVES

IFCMA project overview

IFCMA's key objective	IFCMA is designed to help optimise the global impact of emission reduction efforts in countries around the world
Technical workstreams focused on:	• **Enhancing understanding of different mitigation approaches and their impact on emissions**, to support policy-making, reporting to UNFCCC & tracking int. progress. • **Supporting international dialogue on carbon intensity metrics** and their use in (trade-related) mitigation policies.
Growing membership:	• **59 Members**, incl. 14 G20 economies, with Morocco as most recent member. • **Many countries on path to become member**
Governance:	• **Multidisciplinary project** involving tax, economic, and environment experts. • All countries **participate on equal footing.** • **No assessment or ranking** of countries' approaches.

Overview of IFCMA's workstreams

Stocktake of policies

Developing a database on mitigation policies in IFCMA countries, building on systematically collected, granular, and country-verified data.

Estimating policies' impact on emissions

Linking country specific sectoral and economy-wide models to estimate impacts on emissions & **collecting empirical evidence** on policies' effectiveness.

Carbon intensity work

Analysing the challenges related to the computation and use carbon intensity metrics of sector- and product-level, and proposing ways forward.

Enhancing understanding of different mitigation approaches and their impact on emissions, to **support policy-making, reporting to UNFCCC, and tracking international progress**.

Supporting international dialogue on carbon intensity metrics and their use in (trade-related) mitigation policies.

IFCMA's Inclusive Multilateral Dialogue

Brings together developing and developed countries to **discuss issues relevant to climate action in a non-negotiation setting to build mutual understanding and facilitate better international coordination, e.g. on spillover effects**.

Carbon intensity metrics can support global emission reductions

The demand for more accurate, timely and granular metrics is growing

Governments:
Developing climate policies and measuring their impact

Firms:
Managing the carbon intensity of production and communicating to investors and consumers

Households:
Steering consumption choices towards low carbon goods

- But many challenges limit the computation and use of carbon intensity metrics
- **The report**:
  - surveys different data collection and computation methods
  - identifies synergies to address the accuracy-resource requirement trade off
  - puts forward principles to guide the development and use of carbon intensity metrics

Sector-level carbon intensity data sources and metrics

- Sector-level carbon intensity metrics:
  - Are better established and more widely used than product-level metrics
  - Rely on secondary data and default values (following IPCC Guidelines)
- Large variation in measurement approaches remains:
  - Further coordination would contribute to the harmonisation of existing methodologies and standards
  - Harmonisation requires at the same time ensuring some flexibility to account for sector-specific circumstances
- Installation-level data and novel technologies (e.g. satellite imaging) can improve sector-level metrics through:
  - Offering complementary information on the distribution of carbon intensities within sectors
  - Providing more timely and granular primary data
  - Ensuring greater consistency with product-level metrics, using the same data sources

Product-level carbon intensity methodologies

- Using installation and firm-specific primary data will generally yield the highest accuracy
- Trade-off between accuracy and resource requirements

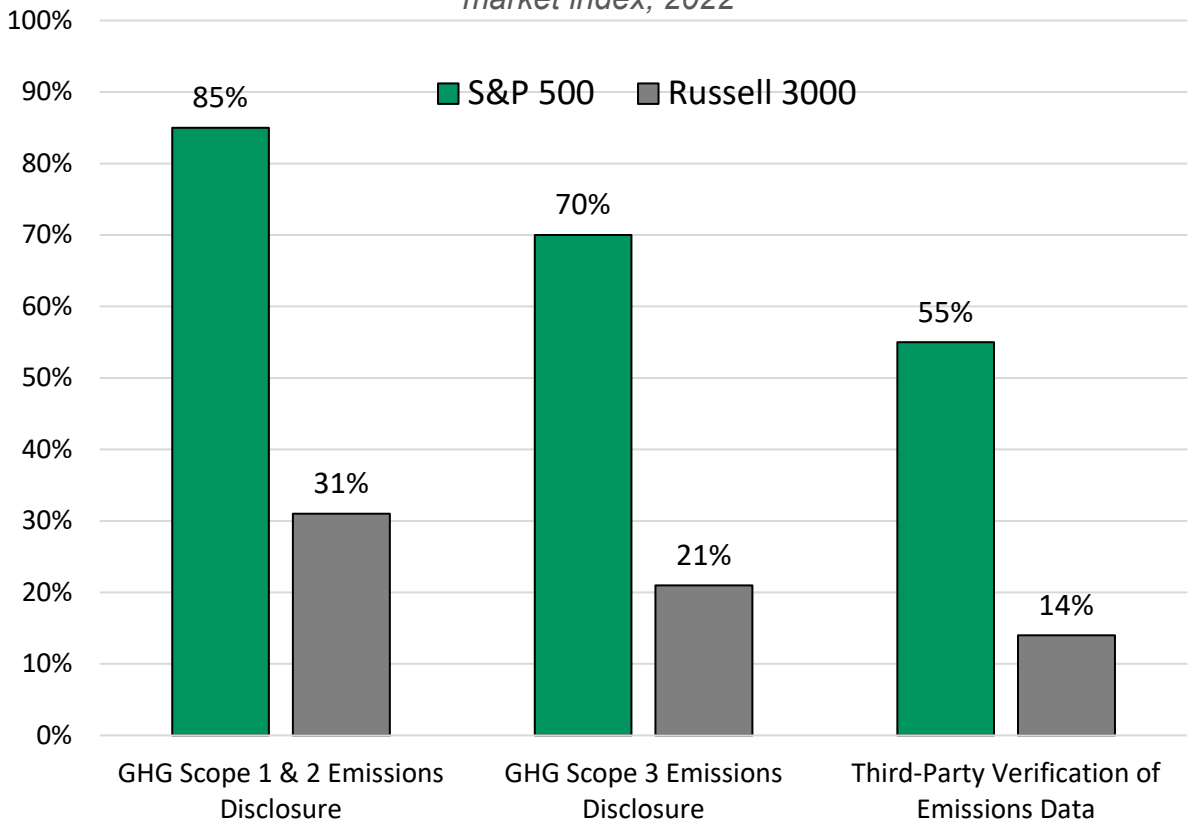
	Granularity	Decarbonisation incentives	Resource costs on reporting firm	Burden on upstream suppliers	Requirements for data sharing and verification along the supply chain
Spend-based methods	Low	Low	Low	Low	No requirements
Average-data methods	Medium-to-high	Low	Low-medium	Low	No requirements
Primary-data methods	High	High	High	High	High requirements
Hybrid approaches	Low-to-high	Low-to-high	Low-to-high	Medium	Some requirements

- Rules to allocate emissions from multi-product installations to individual products are key to computing product-level carbon intensity metrics relying on primary data

Challenges in verifying and sharing carbon intensity information along the supply chain

Climate-related disclosures on selected topics by US companies

Percentage of companies disclosing selected climate-related information by stock market index, 2022



Source: Governance Analytics

Calculating product-level metrics requires verification and sharing among firms of primary data

- Emission verification is often optional, with a multitude of standards
- Sharing data faces economic, technical, legal and regulatory barriers

Differences across industries and company sizes:

- Lower reporting of Scope 1- 3 rates for smaller companies
- Verification can be costly, especially for SMEs and developing countries

Recent initiatives to address these challenges

- Mandating Scope 3 emission reporting
- Developing global sustainability assurance standard
- Creating interoperable networks for data sharing

Principles to guide the development of carbon intensity metrics and policy design

- The aim is to avoid economic distortions that weaken competition, fragment supply chains and stifle innovation
- The report proposes principles to guide the development and use of carbon intensities and enhance their feasibility:

Ensuring proportionality	Promoting competition and innovation	Fostering interoperability

- The IFCMA could play a key role in promoting international coordination on carbon intensity measurement based on these principles

Further work

- Ongoing work for a companion paper delves deeper into issues relating to measurement and interoperability
  - discuss available **data sources**
  - present carbon intensity **trends and differences among data sources** (in this ppt illustrated by the steel sector)
  - identify **pros and cons** of available data sources for policy uses
  - review specifically the ***building blocks*** of MRV systems used in GHG emissions pricing systems and the relevant dimension for establishing interoperability
- The paper is to be finalised by end of 2024

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Thank you

For more information

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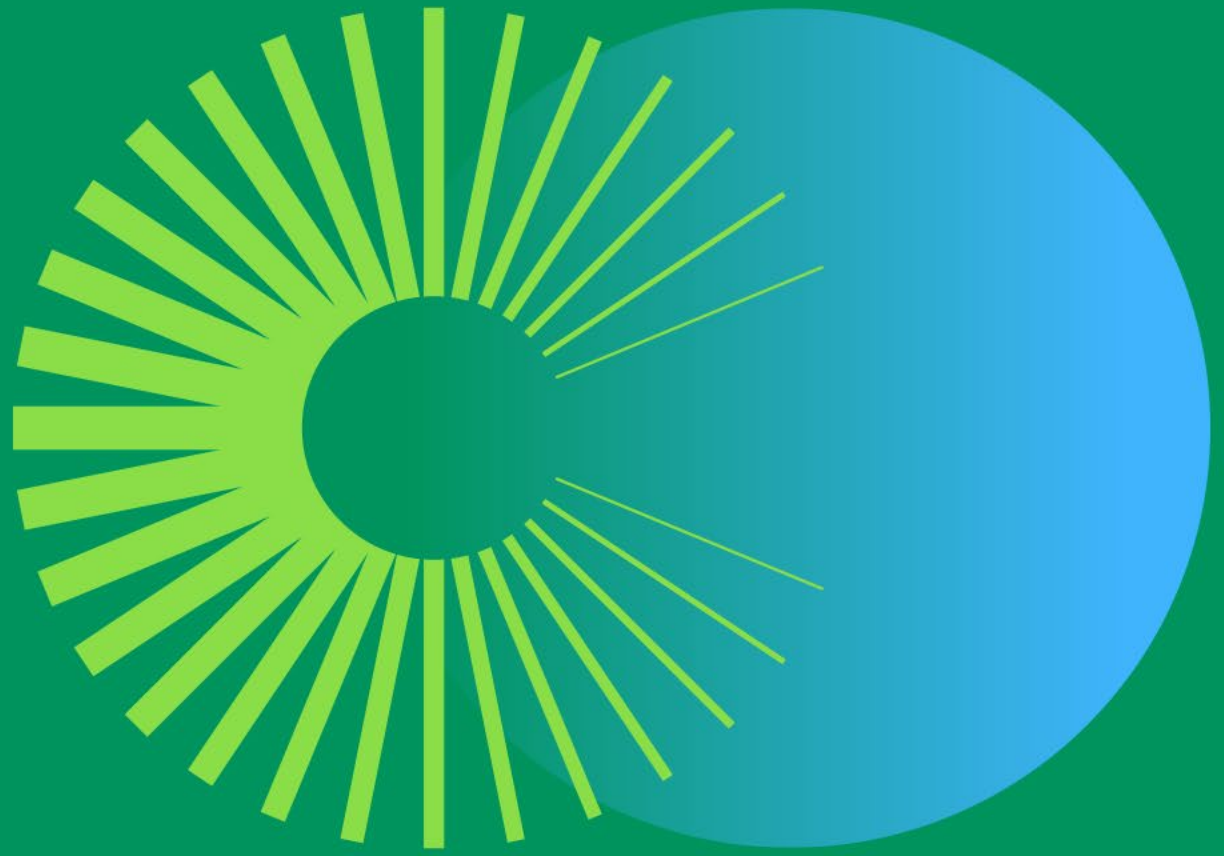

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