

Interoperability

in trade-related climate measures

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Overview

- Why interoperability?
- Interoperability in practice: How can it address the challenges?
- Interoperability in practice: As featured in the recommendations of the Global Stakeholder Dialogues

Why Interoperability?

Many use cases for MRV of product-level carbon intensity:

- Firm-level tracking of progress, benchmarking against others
- Green government procurement
- Border carbon adjustment and other carbon-related border charges
- Product carbon requirements – product-based technical regulations

In any given use case, having different protocols in different jurisdictions is highly trade-restrictive.

Harmonization, agreement would be ideal, but not realistic in most cases, at least in near term.

Better to aim for inter-operability: The ability of different standards to work together, reducing duplication of effort in measurement, reporting and verification.

IFCMA (2024): “Ensuring the technical and operational interoperability of different initiatives is key to preventing disproportionate transaction costs arising and avoiding the fragmentation of global supply chains.”

Interoperability in practice

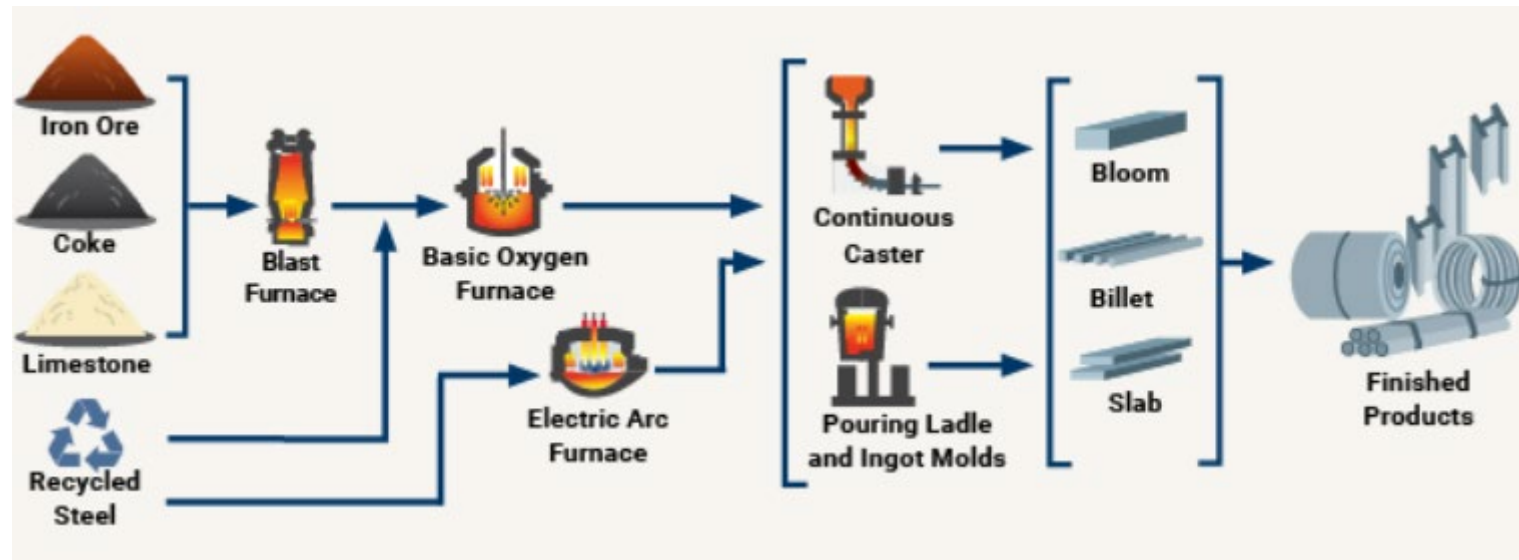
Starting point: What can drive differences in reported embedded emissions?

- Use of secondary data vs actual in emissions reporting, especially for input goods
- Different system boundaries
- How to allocate emissions to co-outputs (e.g., outputs of petroleum refineries)
- What emissions to assign to scrap inputs (esp. in steel, aluminium)
- What emissions intensity to assign to the use of alternative fuels (e.g., incinerated plastics)
- Can producers reduce declared emissions by the use of carbon capture, use, and storage?
- What alternative chain-of-custody models (e.g., mass balance, book and claim) can be used?

Based on IDDI (2023). Driving consistency in the greenhouse gas accounting system: A pathway to harmonized standards for steel, cement, and concrete.

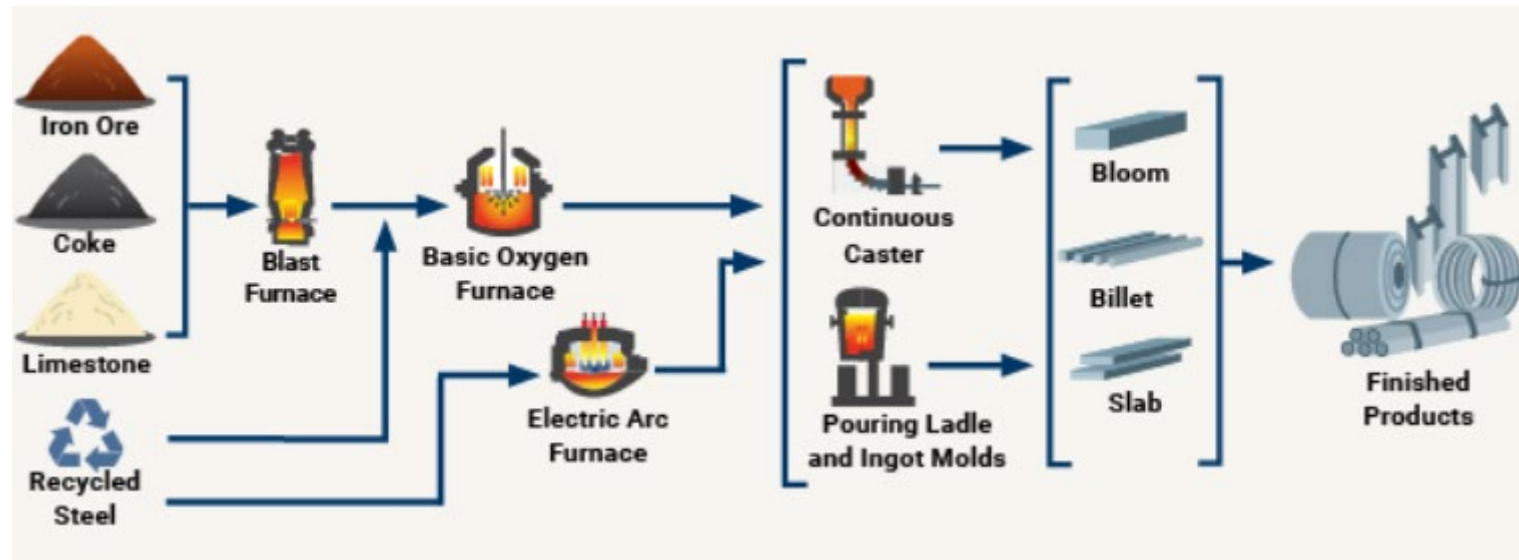
Interoperability in practice

- **Challenges:**
 - Different system boundaries
 - What emissions to assign to scrap?
- **Solution:** Common reporting requires data on all steps in production. Different regimes use just the data they require.



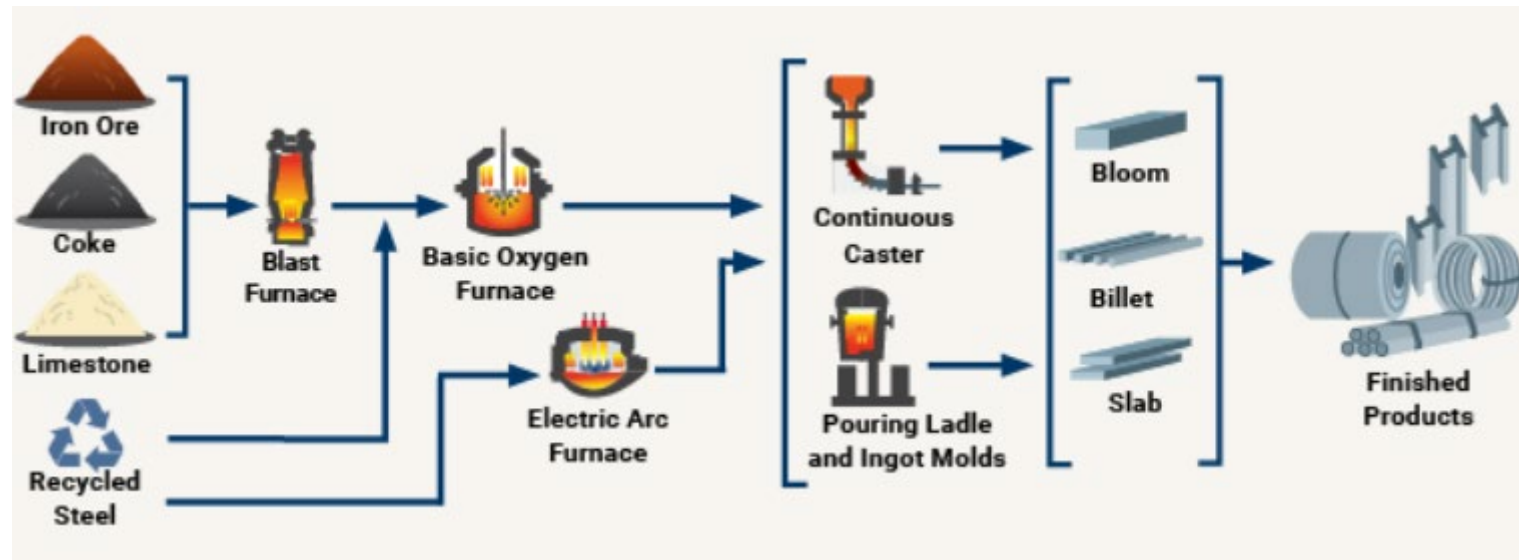
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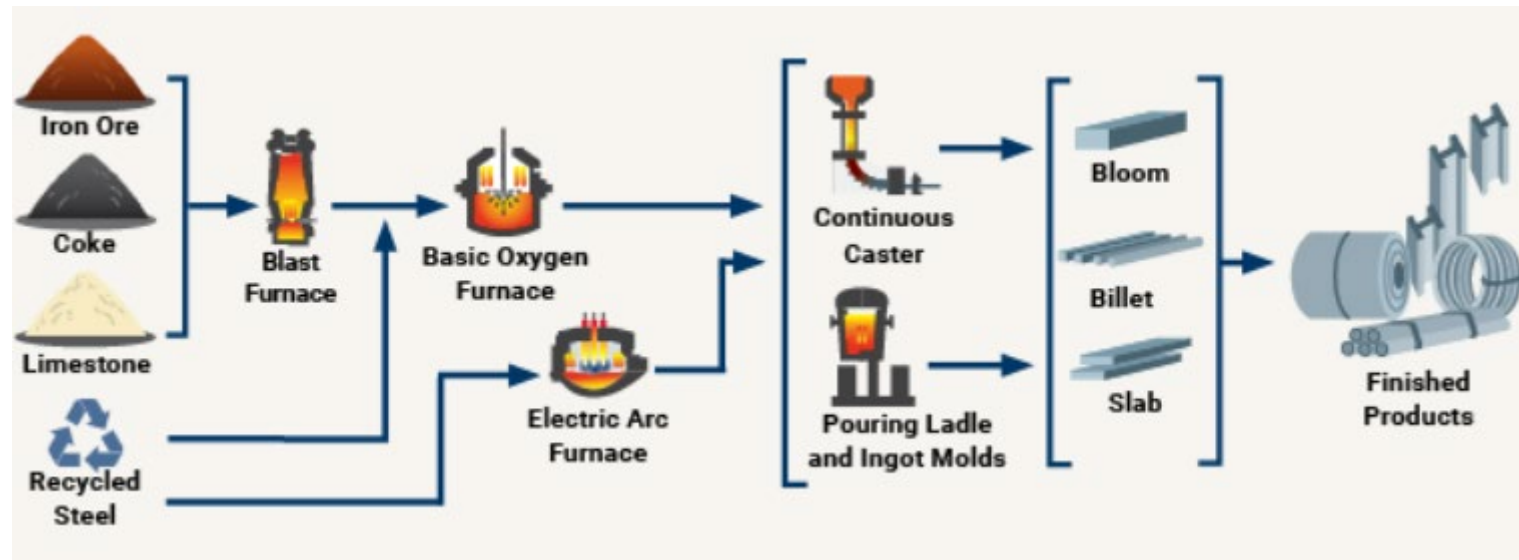
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Interoperability in the GSD recommendations

▪ Recommendation 1.1: Defaults vs actual data¶¶

The primary demand should be for actual data. There will, however, be cases where importers and producers legitimately cannot access actual data, particularly in the case of complex goods further down the value chain. In that scenario, it is acceptable to use default values. These should be unfavourable enough to motivate the use of actual data, but not so unreasonable as to amount to punishment, or protection of domestic producers. Default values should be updated regularly enough to reflect significant progress made in decarbonizing foreign production.¶¶

Measurement: Potential for different regimes to coordinate to use the same default values for sectoral emissions intensity in covered products.

Note: Quoted text is *draft* output of the Global Stakeholder Dialogues

Interoperability in the GSD recommendations

Recommendation 1.7.: Interoperability¶

BCA regimes should ensure that their carbon accounting standards are, if not harmonized, at least similar enough that producers aren't forced to establish different systems of accounting to meet the different demands of each. Even where reporting requirements and carbon accounting standards differ across multiple BCA regimes, those regimes should strive to coordinate such that all the information needed to satisfy their various requirements can be contained in a single common reporting document.¶

Measurement: Ensure carbon accounting is similar enough to be interoperable.

Reporting: Coordinate reporting requirements even across different regimes.

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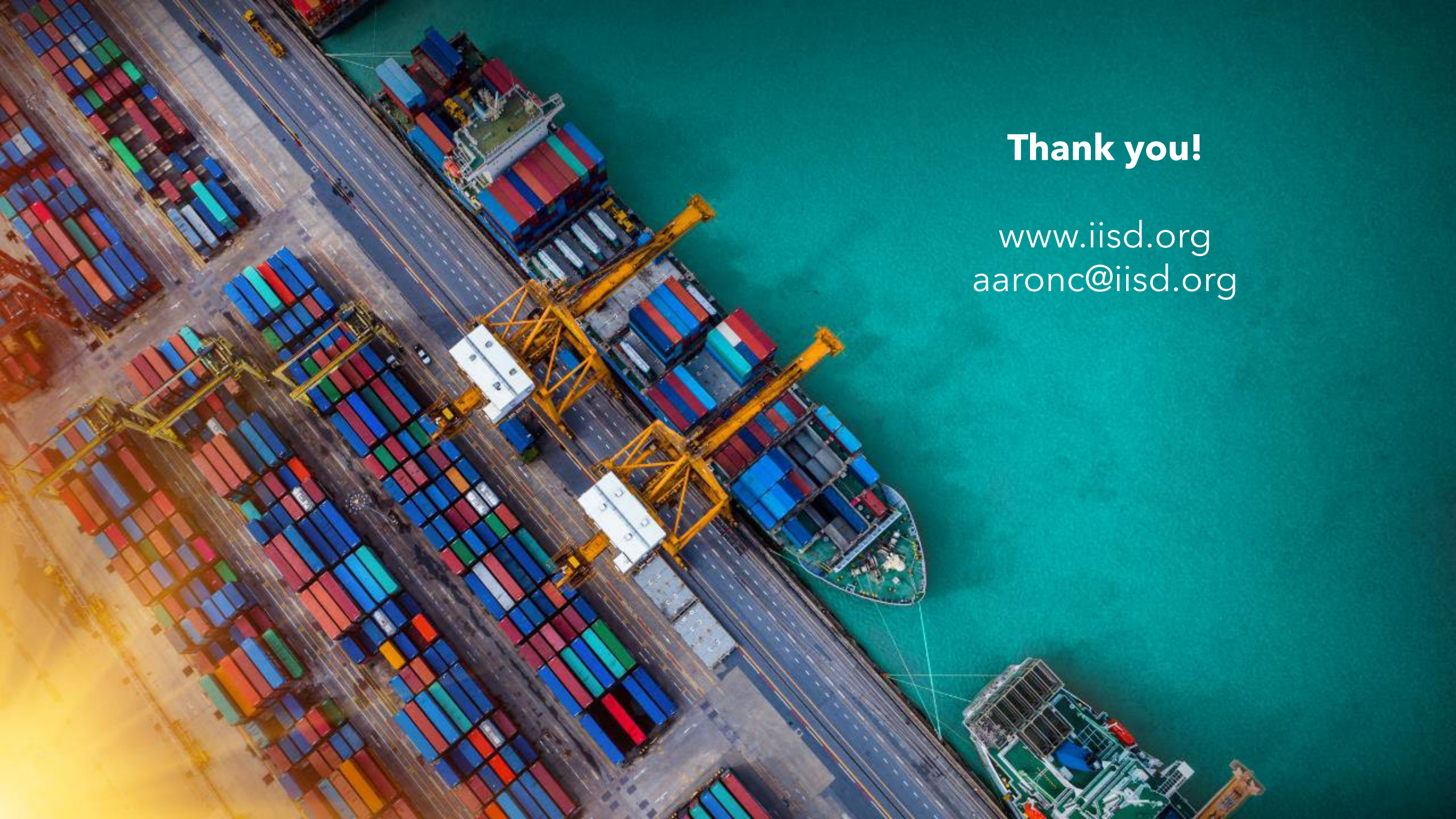
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- Recommendation 1.6.: Access to verifiers¶

BCAs should mutually recognize accredited verifiers from each other's regimes where possible (i.e., where the underlying standard is not too different). As well, in an effort to limit costs and delays for producers, accreditation should be available for verifiers based outside the country of BCA implementation.¶

Verification: Mutual recognition of accreditation of verifiers.

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Thank you!

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