

Article 6 of the Paris Agreement

Status of the Negotiations & Core Article 6 issues



Purpose of this presentation

- Purpose
 - To provide **some reflections** on the outcomes from Madrid, current on-going discussion on Article 6.
- Caveat
 - **Chatham House Rule**
 - Presentation made on basis that Presidency texts are not agreed but what we have in them is focus for discussion today



Article 6: co-operation towards NDCs

Cooperative approaches

Articles 6.2 and 6.3 and decision 1/CP.21, paragraph 36

Bilateral/multilateral cooperation between interested countries, involving transfers of the mitigation outcomes produced through such cooperation

The mechanism

Articles 6.4 to 6.7 and decision 1/CP.21, paragraphs 37 and 38

To be operated centrally (UNFCCC secretariat), credits emission reductions by public and private sector actors, allows for international transfer of those credits

Framework for non-market approaches

Articles 6.8 and 6.9 and decision 1/CP.21, paragraphs 39 and 40

Facilitates climate action through international cooperation focused on sustainable development and poverty eradication (and does not involve trading)



Outcome at CMA-2 in Madrid: decision

- Objective: to adopt 3 decisions, one for each instrument, with detailed rules for Art.6 implementation, including robust accounting and avoidance of double-counting of emission reductions
- The objective was not achieved: like CMA-1 in Katowice, outcome on Article 6 at CMA-2 was procedural as agreement could not be achieved on some key issues.

- The CMA requested the SBSTA to continue consideration of Article 6 at SBSTA-52 :
 - on the basis of the draft decision texts (3 iterations for each of the 3 draft decisions),
 - with a view to recommending draft decisions for consideration and adoption by CMA-3.



Outcome at CMA-2 in Madrid: issues

- Avoiding double use of units from the 6.4 mechanism
- CDM transition (in the part for units)
- Baselines and additionality (as part of the design of the 6.4 mechanism)
- Share of proceeds (SOP) for cooperative approaches under Art.6.2
- Overall mitigation in global emissions (OMGE)



Way to Glasgow

- Presidency led Ministerial consultations, incoming presidency announcement at Petersburg dialogue
- Technical dialogues in April 2021
- SBSTA sessional period - 31 May to 17 June 2021 –Parties and observers to make informal submissions, informal summary of the discussions and related submissions on possible solutions
- Topics to be covered
 - Enabling ambition in Article 6 instruments,
 - CDM activity transition to the Article 6.4 mechanism;
 - Implementing overall mitigation in global emissions in the Article 6.4 mechanism;
 - Use of Kyoto Protocol units towards NDCs
 - Reporting and accounting for GHGs and non-GHGs under Article 6.2.
 - Implementing the Article 6.8 framework
 - Other topics – as decided by parties
- Other informal events etc..



Key factors impacting negotiations

- COP-26 will have other major issues, not just Art.6 (ambition and NDC updates/revisions, pre-2020, adaptation finance (as part of the broader finance issues), technical work on transparency, etc.
- Remaining Art.6 issues are few compared to Madrid but “big”; much effort at all levels is needed in 2021 to ensure success in Glasgow
- SBSTA-CMA cooperation/coordination remains important
- Quantitative analysis of CER transition issues is needed
- Outside developments (ICAO, other developments) need monitoring
- Further non-adoption of Article 6 decisions at CMA-3 would have considerable implications for CDM operation
- Non-adoption at CMA-3 - there may be political and technical linkages with some other deliverables



Key factors to reach outcome

- CMA 2 in Madrid was very close on Article 6 and achieving agreement is feasible in Glasgow.
 - Intense work during the year is needed to identify workable compromise solutions on the few unresolved issues which are now also highly political
 - Minimize roll back of issues for which compromise achieved. The negotiations should be issue-based to tackle unresolved issues.
 - This has to be a “**consensus story**” – all countries, all interests, inclusivity like the Paris Agreement. Landing operational rules requires a commitment to an outcome from all groups and countries and compromise from all groups and countries.
 - And it is REAL! – There is **strong real-world potential for cooperative action as** existing Article 6 pilots show, but without UN decisions, it may be difficult to achieve a meaningful impact of cooperative action on global mitigation.
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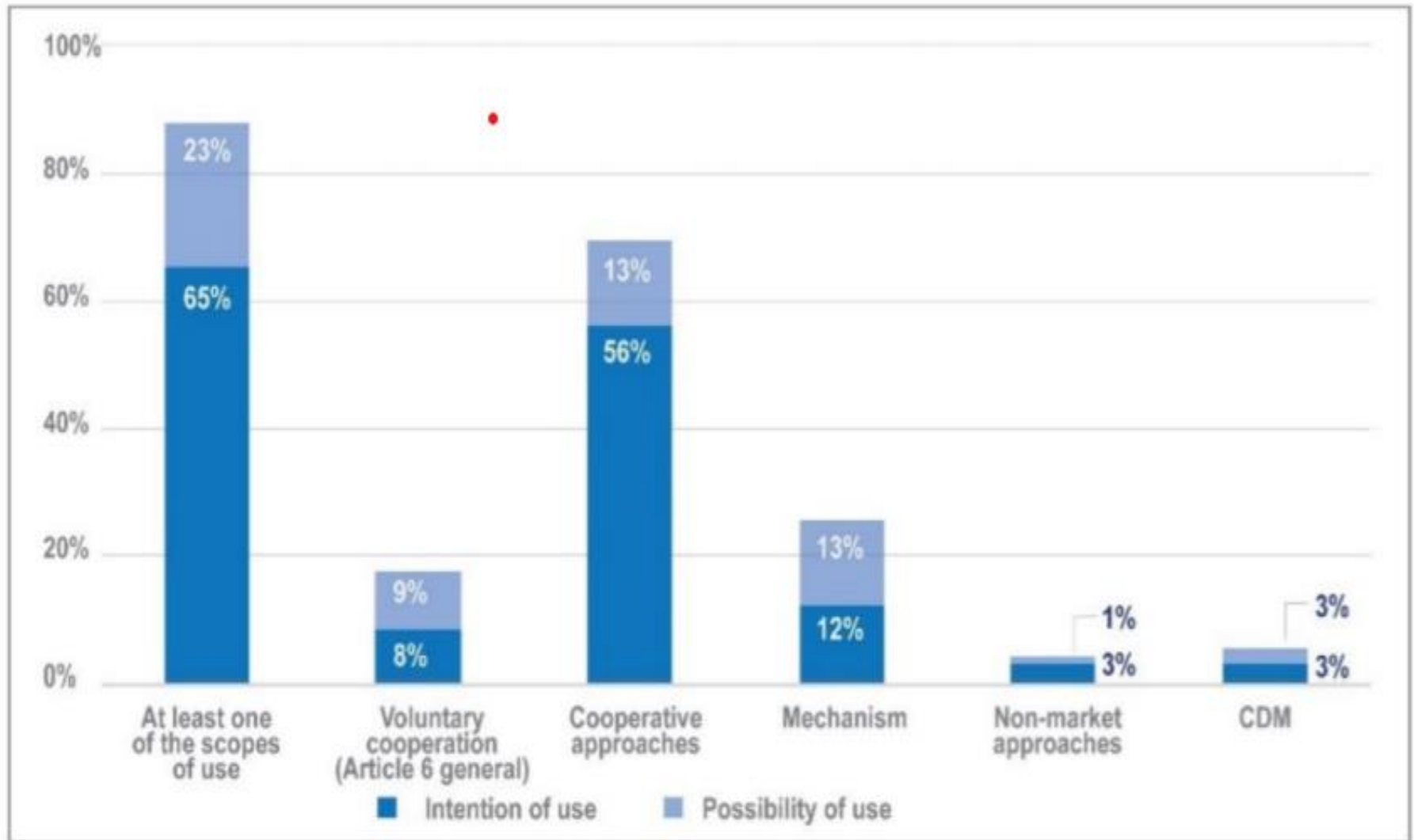
NDC synthesis report

NDC synthesis report

- Almost all Parties provided information on voluntary cooperation (VC) under A.6 of PA.
- Share of Parties plan to or will possibly use at least one type of VC doubled
- Many more Parties have set qualitative limits on their use of voluntary cooperation for achieving their mitigation targets.
 - Adherence to standards and guidelines to ensure additionality,
 - Permanence or
 - Avoidance of double counting of emission reductions
- Few limited use of VC to achieve conditional mitigation targets only
- Few Parties communicated the use of VC as a condition for achieving their mitigation targets.
- Few have set quantitative limits on their use of VC for achieving their mitigation targets, unconditional targets primarily through domestic efforts but partially through VC.



NDC synthesis report



CDM Activity transition and Article 6

- The transition of activities is allowed following an **eligibility check**
- SBSTA to develop **criteria for the transition, steps of implementation and a fast track procedure for small-scale activities and PoAs**
- Before re-registration, the **host Party has to communicate its approval of the transition**
- The transition shall be **completed no later than [2023]**
- The transitioned activity may continue to apply the CDM methodology until the earlier of the end of its current CP or 31 Dec 2023.
- **A host Party shall apply a corresponding adjustment for all A6.4ERs first transferred, subject to** future decision of the CMA that shall provide an opt out period, during which a host Party that first transfers A6.4ERs from sectors and greenhouse gases (among others) not covered by its NDC is not required to apply a corresponding adjustment

Why does all this matter?

- Article 6 is an important part of the world's “toolbox” for addressing climate change
- Article 6 is the only part of the Paris Agreement that directly engages the business and private investment sector in directly implementable activities in which they can invest
- In addition to the trading instruments, implementation of non-market approaches is essential to contribute to sustainable development and poverty eradication
- There is strong real-world potential for cooperative action - shown by existing pilot Article 6 projects, but without UN decisions, it may be difficult understanding the overall impact of cooperative action on global mitigation
- Centralized mechanism helps in ensuring broader accessibility of markets



THANK YOU