

APCW2021
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# **Article 6 of the Paris Agreement**

**Status of the Negotiations and Core issues** 

Mr. Perumal Arumugam, Team Lead,
Methodology Development Unit,
Mitigation Division,
UN Climate Change Secretariat

#### Purpose of this presentation

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 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 May-June Session 2021**

- Parties and observers made informal submissions.
- Informal discussions continued. Topics covered
  - Adaptation financing from cooperative approaches and mechanism
  - Avoiding double use from outside of the NDC
  - Ensure rapid operationalization of A.6
  - 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 (baseline and additionality, capacity building)
- Informal summary of the discussions and related submissions are available on the UNFCCC website.



## **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

- COP Presidencies has set up a multi-layered approach to their work, with engagement at the ministerial, head of delegation (HoD) and technical levels.
  - a) Political track: UK along with Singapore and Norway to engage Ministers around the world and convene miniterials to sensitize ministers on A6 issues that might need attention at the political level during the COP;
  - **b)** Informal technical dialogues for Article 6 SBSTA Chair to convene these informal meetings,
  - c) Multilateral consultations with Group Chairs and HoDs: These meetings are stepping stones to COP 26: a chance for Parties to move together towards COP 26, identifying and testing solutions to key topics along the way.

## 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
- Outside developments (ICAO, other developments in voluntary markets)
- 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.



## 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



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