

# AGN views on guiding questions on Article 6.4

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# Context

## AGN's overall vision for the Article 6.4 mechanism:

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- Eligible activities are mitigation activities resulting in **real, measurable and long-term benefits** and which are **additional**. This includes both activities **inside and outside** the scope of the NDC
- The mechanism provides an incentive for mitigation activities, and acts as an enabler of progression, whereby Parties can **develop better knowledge and capacity** of sectors to be included in the next NDC cycle
- The mechanism is the only instrument that can issue globally recognized units of emissions reductions, whereby units generated can be used in a variety of ways including for Parties to fulfill their **NDC** or private sector actors to meet **targets under compliance schemes** and other stakeholders for **voluntary purposes**
- Units generated by the mechanism can also be used for **results-based finance** in conjunction with the cancellation of units

# Question 1: What are the options for establishing additionality and/or baselines in the context of the host Party's NDC? – (cont.....)

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**While there are some concerns for the baselines used in the context of NDCs, it is not possible to consider direct relationship between a country's NDC and the setting of a crediting baseline.**

- NDCs are not standardized and come in various shapes and forms
- NDCs are high level and rarely sufficient granular to specify an emission trajectory for a sector
- NDCs represent an aspirational goal, not business as usual
- The SDM is one of the tools that the host country has available to meet its NDC
- NDCs often contain parameters that are irrelevant for determining the baseline for a mitigation activity (e.g. GDP developments)
- The use of the mechanism is already considered integral to meeting some countries' NDCs

**For the same reason additionality of a mitigation activity cannot be established as a direct consequence of a country's NDC**

**However, any policies that the host country puts in place to meet its NDC must be factored into the baseline**

- The CDM Executive Board's E+/E- ruling is not fit for purpose in the new context of NDC policy scenario

# Question 1: What are the options for establishing additionality and/or baselines in the context of the host Party's NDC? – (cont.....)

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**The context of the NDCs can most suitably be taken into consideration through the development of standardized baselines**

- These are country and sector specific and can incorporate policies undertaken as part of the NDCs
- Project-specific additionality testing is cumbersome and at times can be ambiguous and should be the exception (hierarchical)

**Countries that lack the capacity to develop standardized baselines on their own should be supported through readiness activities**

# Question 2: What are the options for implementing an overall mitigation of global emissions?

The principle of “Overall mitigation of global emissions” is set out in the Paris Agreement, but must be clearly defined and agreed between Parties.

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Approaches to implementing overall mitigation are under discussion: additionality, conservative baselines and cancellation of some of the units generated (discount rate).

- Additional projects and programs contribute to overall mitigation of global emissions
- By canceling some of the units generated (discount rate to be defined) the overall mitigation achieved would be measurable but all activities should not have the same discount rate in line with their specificities
- Conservative baselines can tie in with simplified monitoring requirements through the use of conservative default factors
- We are happy to further discuss the merits of either approach (principles) with other Parties but detailed methodologies and guidelines must be defined by the supervisory body designated by the CMA

Overall, the requirement of overall mitigation must not lead to excessive requirements on mitigation activities and must not stifle the mechanism.

It also must not lead to a competitive disadvantage of the mechanism under 6.4 compared to cooperative crediting approaches developed outside the UNFCCC

# Question 3: How can use of emission reductions from Article 6.4 activities by more than one Party to demonstrate achievement of its NDC be avoided?

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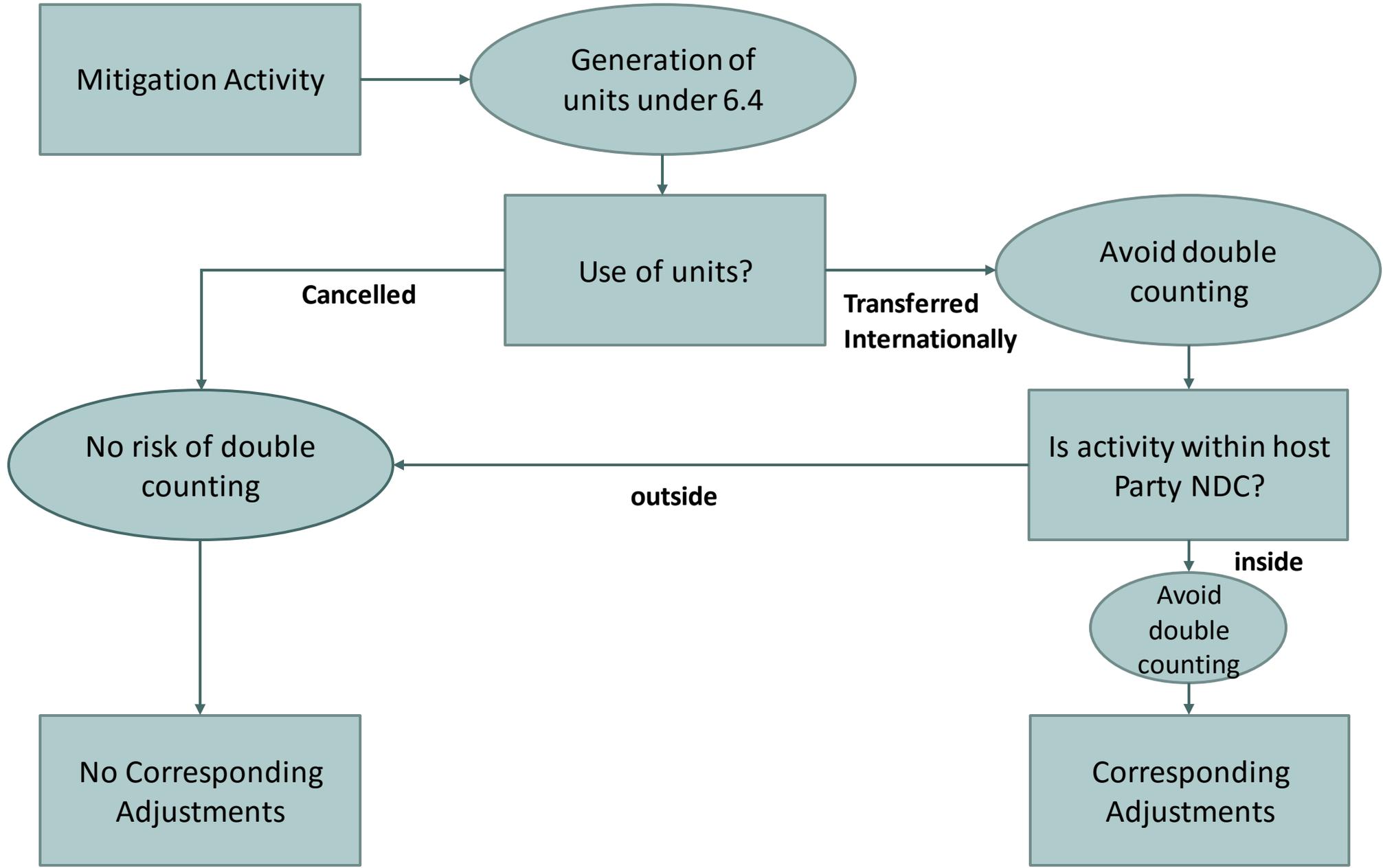
**To avoid the use of emission reductions by more than one Party the following is required:**

- National and international registries that record units generated under the mechanism
- Application of Article 6.2 guidance for the transferred units

**Article 6.2 guidance is applicable to the mechanism under certain conditions (see flow chart)**

- If units generated under Article 6.4 are internationally transferred and used for compliance they must be reported as ITMOs by the host and the acquiring Party and corresponding adjustments must take place
- No corresponding adjustments are required if units are voluntarily cancelled or generated outside the scope of the NDC

**Always the amount of units generated under the mechanism and transacted must be reported in Parties biennial communications.**



## Question 4: What are the options for the transition of the rules/projects/credits under the Kyoto Protocol, if there is any transition at all?

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The transition of activities registered under the CDM to the SDM must be addressed concurrently with the development of the rules, modalities and procedures of the mechanism

- Projects already registered under the CDM have significant mitigation potential, **transition should be facilitated**
- Honoring prior investments is necessary to build **credibility** of the new mechanism
- Discussion is **time-critical**: when the transition is decided has material impact on how many emission reductions are achieved
- CDM transition requires **dedicated attention during SBSTA negotiations**, for example through Art 6.4 spin-offs, workshops, technical papers or dedicated submissions

**CMA1 must not only adopt the rules, modalities and procedures of the mechanism but also decide on the criteria for transition of activities.**

# Question 4: What are the options for the transition of the rules/projects/credits under the Kyoto Protocol, if there is any transition at all? – (cont....)

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## Transition of activities must be based on eligibility criteria

- An **eligibility check** is key for implementation: qualifying CDM activities allowed to migrate without having to undergo revalidation
- Criteria should take into account the **specific circumstances of African countries**, recognizing the pipeline of **PoAs with high sustainable development benefits** and the fact that the region has benefitted the least from carbon markets
- Discussion of eligibility criteria and process for transition will only benefit the development of the rules, modalities and procedures because it offers practical examples and inform the negotiations

THANK YOU