



United Nations
Framework Convention on
Climate Change

Caribbean non-State actor dialogue on Article 6 of the Paris Agreement

Summary Report

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Background

The “Caribbean non-State actor dialogue on Article 6 of the Paris Agreement” organized by the regional collaboration centre (RCC) St George’s took place in Grenada on 12 July 2016. The objective of the event was to kick-start an active dialogue among regional experts on options for interpreting and operationalizing elements contained in Article 6 of the Paris Agreement.

Ten regional experts participated in this event, including representatives from regional bodies, consultants, academics, and project developers in the energy and tourism sectors, who are users of market and cooperative instruments.

Report from the dialogue

Regional circumstances and trends

The Caribbean region is largely underrepresented in the clean development mechanism (CDM), especially due to the small scale of mitigation activities, which makes the region less attractive to project developers and investors. All countries in the Caribbean had fewer than ten projects registered by the end of 2010; some have none even at present. Besides the challenge of scale, some participants expressed the challenge of communicating to potential project developers/investors the link between climate change and the financial opportunities for mitigation due to a lack of understanding of economic instruments for financing low-carbon projects in the region.

The 16 independent Caribbean states submitted their intended Nationally Determined Contributions (INDCs) in time for the Paris Agreement. In general, all of the submitted INDCs have conditional as well as unconditional contributions. The majority of the INDCs expressed an interest in using collaborative economic approaches to meet their targets, including the use of domestic and international markets.

Regarding the potential of upcoming national or regional instruments, Dominica intends to introduce market-based mechanisms to promote energy conservation/efficiency and reduce greenhouse gas emissions from the transport sector. Trinidad & Tobago, in their INDC, refer to the carbon-trading scheme in development by the country's Energy Chamber, which is based on a CDM programme of activities. St Lucia indicated that national-level market-based instruments, such as cap-and-trade emission trading schemes and offsetting, are crucial to price carbon emissions and keep the costs of mitigation low. In addition, the idea of a Caribbean regional carbon market was launched during the Caribbean Renewable Energy Forum 2015. Nevertheless, general awareness about the exact content of INDCs submitted in the region is limited.

The participants in the Article 6 regional dialogue highlighted a disconnect between the negotiations and the non-State actors and also other government sectors (e.g. energy) in some of the countries. They explained that they are not consulted for their inputs by the Parties in preparation for country/regional positions and that there is no effective mechanism to feed back the outcomes from the negotiations.

Also mentioned was the importance of further analysing the NDCs to identify the implementation tools needed and the links to national policies and regulatory frameworks.

In-depth discussion of Article 6

Article 6.2 – Internationally transferred mitigation outcomes

Participants highlighted the absence of a definition of internationally transferred mitigation outcomes (ITMOs) and the lack of clarity on whether ITMOs would be unitized for meeting NDCs. As NDCs can be very different from one another, the participants highlighted the need for measures to ensure environmental integrity, creating a level playing field for all. They expressed the need for a governing body to ensure that recipients of mitigation outcomes can use them to achieve their NDCs.

In this context, the participants also highlighted the need for national-level controls over the generation and use of mitigation outcomes in countries, fearing that potential undue transfers of units could occur at the expense of achieving national targets. Participants mentioned that many of the small islands have large investments from foreign investors in key sectors. The need to track units generated was emphasized, possibly with a unique serial number. Participants also emphasized the importance of the “supplementary principle” in order not to reduce ambition.

Article 6.4 – Mechanism

On the composition of the oversight committee, two key points were raised:

- The oversight committee should include representation from least developed countries (LDCs) and small island developing States (SIDS); although they are contributing the least in emissions, they are the most vulnerable to climate change and thus can bring good balance to the composition.
- The involvement of the private sector and technical experts in the decision making of the committee is important. Although the governments negotiate, they need the private sector to implement the outcomes of their decisions, and need to make sound technical judgments. According to the participants, the involvement of the private sector and technical experts will facilitate a robust design and efficient functioning of the mechanism.

Participants were of the opinion that the United Nations (UNFCCC) is best placed to be an oversight body.

Participants noted the need for balance and/or consistency between regulation of 6.2 and 6.4. For example, the concept of overall mitigation applies under Article 6.4, but it is unclear whether the same would apply to 6.2.

Participants discussed the concept of additionality in relation to NDCs, highlighting that different typologies of NDCs exist. They expressed that an alternative concept of additionality may be required and that to ensure environmental integrity it would be essential to have the same concept of additionality across all markets which are cooperating. A possibility suggested was to consider as additional all that is not part of the non-conditional NDC. Participants also raised concerns about the treatment of domestic policies under the mechanism and highlighted the need for all instruments to treat them consistently.

The participants highlighted the use of methodological tools from the CDM, and the establishment of a centralized system like the CDM, in order to have sufficient oversight so as to avoid some of the issues observed under the JI track that did not have the centralized supervision from the JI supervisory committee. Limiting the supply of tradable units was also raised by some participants as an area to consider in order to avoid oversupplied markets with low prices.

Participants emphasized that the new mechanism would be essential to countries like SIDS and LDCs and should therefore not be burdensome. It should facilitate private sector engagement, including in small economies, provide flexibility and ensure short timelines. The participants stated the need to have the right balance between the costs and the rigour of the required monitoring, reporting and verification, especially for dispersed projects like energy efficiency lighting and cook stoves. The use of positive lists and automatic additionally was therefore considered.

More emphasis on co-benefits and sustainable development as compared to existing Kyoto mechanisms was also emphasized by the participants.

Finally, participants discussed whether REDD + should be considered under Article 6.

Article 6.8 – The Framework for non-market approaches

Some participants were of the opinion that other mechanisms under the Convention, carried out in a cooperative way (e.g. technology mechanism), or the Green Climate Fund should be part of this framework. Views differed on whether this mechanism should be centralized, with some participants arguing for a centralized mechanism to coordinate and monitor how it is implemented, and others raising concern over the difficulty of establishing such a centralized mechanism. Some suggested pre-2020 actions to be considered under non-market approaches.

Many highlighted the need to promote a mechanism that incorporates the synergies between mitigation and adaptation. Some participants voiced the need to prioritize non-mitigation outcomes (like adaptation co-benefits) under the non-market approaches.

The participants expected that no credits or units will be traded under the non-market approaches. For example, soft loans, grants, support to policy development, adaptation policy, implementation of regulations and standards, capacity building, technology transfer and payment for ecosystem services could fall under this approach.

Participants mentioned that the following activities could fit under non-market approaches: the mitigation of gases having high global warming potential; mitigation activities that are expensive to measure accurately; adaptation projects with mitigation outcomes; and reducing emissions from deforestation and forest degradation (REDD+). Participants also identified some activities and sectors which are relevant to the region as potentially fitting under non-market approaches: energy efficiency; integrated ecosystems management; water purification linked with renewable energy; protection of

watersheds and forestry projects; and the request for compensation for utility assets displaced by renewable energy.

The participants also emphasized the importance of ensuring poverty eradication in the non-market approach.

The road ahead – key messages from private sector participants/experts to policy-makers for the future global carbon market and non-market instruments

Maintaining momentum. Participants highlighted the need for the Caribbean region to maintain the momentum started with the development of the NDCs, so that the countries do not fall behind with the new mechanisms, as happened with the CDM. Due to the size and the amount of investment needed, they highlighted that the Caribbean is an ideal ground for pilot projects for the mechanisms.

Low-carbon development as a priority. The participants agreed that the priority for the region should be low-carbon development and not just a limited focus on mitigation.

National vs. regional cooperation. The participants also discussed the need for Caribbean States to cooperate in some sectors while addressing others at national levels. To address the issue of scale and ensure better access to finance and technology, the possibility of a common regional NDC was also discussed.

Engaging non-State actors. A key element highlighted during the discussions was the need to further engage the non-State actors in arriving at regional positions and to have mechanisms to create awareness of the outcomes from the negotiations. Participants also suggested the need for a stakeholder mapping to understand the different subsectors in the private sector and how to engage them to contribute to mitigation. Energy, tourism, transport and water are key sectors from the Caribbean that were highlighted, and participants stated the importance of approaching the associations involved.

Engaging the energy sector. It was further agreed to investigate how the energy sector (the largest contributor to mitigation) may be invited to participate at the negotiations and how they may be informed on the negotiations on cooperative approaches that are being discussed under article 6.

Finally, a representative from the Caribbean Community Centre for Climate Change offered to gather the inputs from the tourism sector and electricity generation (CARILEC) to produce a submission to the secretariat in preparation for the COP.