

## **SBSTA 44 Item 11 b – Rules, Modalities and Procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement**

Version of 21 May 2016 at 08:00

### Co-facilitators' note

Through the three meetings on 17, 18 and 19 May, Parties provided reflections on the mechanism established by Article 6, paragraph 4 of the Paris Agreement (the mechanism). Parties also expressed views on the specific elements contained in the Paris Agreement and decision 1/CP.21. This note attempts to capture both these general views and views specific to particular elements. The note further attempts to capture the initial views of Parties on the appropriate process to arrive at a common understanding in SBSTA 45 on the issues to be addressed in elaborating the required rules, modalities and procedures.

### **Views expressed on substance**

#### General views

- Parties explored the following aspects:
  - the applicability of the mechanism to all Parties;
  - similarity and differences to existing mechanisms under the KP;
  - activities and scopes under the mechanism.
- Parties identified the following potential linkages to other Articles of the Agreement
  - That operationalization should be guided by Article 2 of the Agreement;
  - The Article 5 of the Agreement should be considered in the implementation of these provisions.

#### Views on specific elements arising from Article 6 of the Agreement

- Some Parties referred to aspects of the CDM modalities and procedures and JI guidelines, which could be utilized in the rules, modalities and procedures.
- On the other hand, some Parties considered that, although there are many similarities to existing mechanisms, there are also key differences resulting from the different context of the Paris Agreement.
- A Party suggested that the composition of the supervising body should be different from the bodies of the existing mechanisms.
- Parties, while noting that sustainable development was integral to the mechanism, had differing views on how sustainable development should be integrated, with
  - some considering it to be a national prerogative,
  - others considering it should build on experience from implementing the Kyoto Protocol and
  - one Party considering that the Sustainable Development Goals should be applied.
- A Party expressed that, compared to CDM, Article 6 paragraph 4 (b) was a new aim or objective and that this would have implications for the design of the mechanism.

- Parties highlighted the relationship of Article 6 paragraph 4 (c) to Article 6 paragraph 5.
- One Party also noted that it was unclear where the outcomes of the mechanism could be used if not used for achieving NDCs.
- Some Parties underlined that the mechanism will lead to overall mitigation by virtue of its availability to assist Parties in implementation of NDCs.
- Other Parties considered that there would need to be a specific consideration in the design of the mechanism to ensure overall mitigation.
- Some Parties referred to Article 6 paragraph 6 and the need to include provisions on the share of proceeds as required by that paragraph.

*Views on specific elements arising from decision 1/CP.21, paragraphs 37 and 38*

- A Party noted that experience on authorization of voluntary participation could be drawn from the existing mechanisms under the Kyoto Protocol.
- A Party noted that “long term benefits” is a new feature of the mechanism, with another Party indicating that the long term benefits would be the emission reductions resulting from the mechanism.
- Parties shared an understanding that activities included in NDCs could be included by the mechanism. One Party considered work is needed to clarify if and how activities not covered by NDCs will be included in the mechanism.
- Some Parties considered that the mechanism will lead to a greater scale of activities than seen under existing mechanisms. In this context a Party noted that this may require safeguards and response measures for specific sectors/industries.
- A Party considered that the mechanism may have applications that are not explicitly stated. That Party also saw a link with Article 5 of the Paris Agreement while other Parties considered that activities under Article 5 were not within the scope of the mechanism.
- Some Parties suggested that additionality implied going beyond the NDC of the Party, being supplemental to the NDC. While another Party noted that supplementarity is not a concept that is mentioned in the Paris Agreement.
- A Party expressed its view of the need to draw on the experience of CDM and JI, with respect to verification and certification while another Party added that the experience with REDD plus could also be relevant in this context.
- Some Parties noted that the scale and nature of activities would require careful consideration of the forms of verification required by the mechanism.
- Parties expressed a range of views on experience gained with and lessons learned from existing mechanisms and approaches adopted under the Convention and its related legal instruments, specifically:
  - Some Parties mentioned the relevance of the experience under existing Kyoto Protocol mechanisms (CDM and Joint Implementation (JI)) as well as under the Convention (REDD plus).
  - A Party noted that the issue of similarities with CDM was not the key element, rather the key issue was the avoidance of double counting.
  - Some Parties considered that the mechanism is not confined to project based activities and includes all activities, including at sectoral level. Another Party suggested that the mechanism should be flexible enough to allow projects, sectors and aggregations at different levels.

- Some Parties referred to the current process of reviewing the CDM modalities and procedures and JI guidelines under the SBI while others referred to the work done in SBSTA in relation to the COP mechanisms.
- Some Parties mentioned that as compared to CDM, procedures would need to be simplified and suggested considering experience and lessons learned under the CDM for each element separately rather than considering a general compilation of lessons learned.
- Some Parties further noted that a key difference with regard to the CDM was that the mechanism gives more responsibility to the host Party.
- A Party emphasized some issues with the CDM that the Party considered should be avoided, in particular transaction costs, lack of demand for credits generated and measures leading to restrictions for marketing of certified emission reductions.
- A Party further noted that there was a need to analyze some elements of existing mechanisms' application to the mechanism such as the decision structure, voting rules, operation of accreditation entities, role of supervisory body and the approval process for methodologies.
- A Party observed that the CDM had initiatives like Climate Neutral Now and voluntary cancellation of CERs that allow for public and private participation and that Party considered such types of initiatives had potential to be integrated into the mechanism.
- Some Parties mentioned the need to enable transition of existing mitigation projects after 2020 and relevance of existing units.
- A Party expressed the view that the legal implications on import, export of units and taxation elements have to be considered under the mechanism.
- Some Parties expressed the need to make an inventory of experience gained with the existing mechanisms to identify durable elements and apply them with any due modifications.
- Some Parties suggested that the different capacity of countries to access the mechanism should be considered in the context of readiness to ensure equity for all countries, allowing all Parties, particularly inexperienced ones, to gain the experience and confidence needed to fulfill their needs.

#### **Views on Process to SBSTA 45**

- Parties considered that submissions would be a useful next step.
- Some Parties considered that a technical paper from the secretariat could assist in advancing specific aspects, while other Parties did not consider a technical paper would be helpful at this stage.
- Some Parties supported a workshop, with some considering this would be best if held intra-sessional and others considering an inter-sessional workshop most useful.