West and Central Africa non-State actor dialogue on Article 6 of the Paris Agreement

Summary Report

Organized by:

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Background

The "West and Central Africa non-State actor dialogue on Article 6 of the Paris Agreement", organized by the regional collaboration centre (RCC), Lomé, took place in Lomé, Togo on 22 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.

Eighteen regional experts participated in this event, including representatives from think tanks, project developers, consultants and researchers who are users of market and cooperative instruments.

The dialogue started with the opening remarks from the Secretary General of the BOAD, Mr Christophe Aguessy, welcoming the participants and informing on the importance of bringing the non-State actors on board on the discussions related to the UNFCCC process and the Paris Agreement.

Report from the dialogue

Regional circumstances and trends

The West and Central Africa region is underrepresented in the clean development mechanism (CDM) due to barriers such as: difficulty in mobilizing capital upfront, as certified emission reductions (CERS) are sold afterwards; complicated baseline and regulations; and lack of knowledge. In addition, primary attention in this region was on adaptation and not on mitigation; in 2010, with the opportunity to undertake CDM programme of activities (PoA), the region increased its participation in the CDM, which could mean that PoAs tend to respond better to the African context.

The low ratification of the Doha Amendment to the Kyoto Protocol and scarce demand for CERs are perceived as causes for the low price for carbon and the increasing difficulties to implement CDM projects. However, there is still hope in the region; for example, one participant announced that the Ivory Coast is now set to implement domestic carbon pricing.

Participants also mentioned difficulties related to accessing climate finance and voiced that despite the establishment of the Green Climate Fund (GCF), climate finance remains very complex, and that the Fund chooses what type of projects it finances without looking at country needs.

Participants explained that awareness in the region of the Paris Agreement is still very low and limited to policy-makers. The negotiations have been taking place with few participants from African countries and without the involvement of the private sector, similar to the beginning of CDM, which could produce a theoretical instrument that may not correspond to the reality of carbon market and/or incentivize stakeholder participation. There is still a need for capacity-building for the Paris Agreement, the nationally determined contributions (NDCs) and Article 6. Participants also stated that Africa needs to refocus on mitigation, since attracting investments for adaptation is even more difficult.

In-depth discussion on Article 6

Participants questioned the meaning of Article 6.1, in particular how to ensure higher ambition, and stated that they understand that Article 6.1 is a chapeau for the whole of Article 6. Articles 6.2, 6.3 and 6.4 currently only provide an outline on how units can be transferred, while Article 6.4 sets precise instructions for a mechanism, and Article 6.8 for a non-market framework.

Article 6.2 – Internationally transferred mitigation outcomes

Participants came to the view that Article 6.2 does not generate outcome units but is solely about transfer of outcomes. In turn, the general view was that Article 6.2 does not on its own set any incentive and does not even generate carbon units.

The possibility that Article 6.2 paves the way for linking regional/national markets was mentioned. Participants emphasized the need to allow non-State actors to transfer mitigation outcomes, for example with titles of authorization. However, participants are greatly concerned that voluntary contributions of non-State actors may be accounted for in Parties' contribution without their consent (since non-State actors' contributions are often based on the expectation of delivering more ambition than currently pledged).

According to participants, transfers under Article 6.2 would require outcomes to be quantifiable with similar units, and the same for NDCs. Questions raised include how the quantification, authorization of transfers, and tracking will be done. They also discussed the need to ensure environmental integrity, avoid double-counting and "hot air". Participants also highlighted the need for a minimum of international oversight and possible eligibility constraints to participation in transfers.

Participants discussed at length aspects related to ambition and eligibility to transfer outcomes under Article 6.2. In particular, some participants considered transfers as only appropriate for activities in addition to the NDCs or at least not included in unconditional parts of NDCs. In addition, some noted the risk of transferring outcomes from Parties that may not achieve their NDC, and proposed using thresholds on the types and amounts of outcomes that can be transferred.

Article 6.4 – Mechanism

Participants mentioned that the CDM modalities and procedures ideally match the requirements set in Article 6.4, but also considered similarities with joint implementation, given the need to avoid double counting.

Participants expressed that the scope of the mechanism could be broader than the CDM, with a scale larger than single projects, and could cover activities currently in nationally appropriate mitigation actions (NAMAs) or REDD+. Participants also envisioned the use of the mechanism by climate finance (including the GCF) to enable access to capital and/or cover the mitigation cost. They also expressed the need for the mechanism to have a stronger consideration of sustainable development, in particular poverty reduction and adaptation co-benefits. Participants also suggested that Article 6.4 could also serve as a full-fledged adaptation mechanism.

Participants suggested that the mechanism have simple procedures and rules, guided by overarching principles. They acknowledged that many good features of the CDM (especially accounting and the monitoring, reporting and verification) can be used, but demonstration of additionality and baseline setting should be simpler. Participants questioned how the NDCs affect baseline and additionality, and mentioned that the consideration of suppressed demand in the baseline should be improved.

For more efficiency, participants proposed operating the mechanism in a decentralized manner, with the UNFCCC on top and accredited entities underneath, similar to the International Organization for Standardization. To enable better participation of the region, it is important to ensure the use of climate finance to provide capital and/or cover the mitigation cost, as this is the only way to improve regional distribution.

Participants urged for a more efficient governance body, focused on strategic issues. They suggested that the body be less political, more technical, and includes representatives of the private sector and civil society.

Participants considered that procedures set forth under Article 6.2 would apply in case outcomes of Article 6.4 are transferred. The possibility to share outcomes between the host Party and the buyer was proposed to prevent double-counting and allow for higher ambition. Finally, participants stated that provisions on "overall mitigation" do not require a "net mitigation"; rather, they require activities implemented under Article 6.4 to be additional.

Article 6.8 – Framework for non-market approaches

Participants mentioned the need to understand what non-market clearly means. Activities were seen closer to GCF activities, which do not have the expectation of transferring. The outcomes under Article 6.8 could remain with the host country, be cancelled or put in a reserve, but not transferred.

This article could also be a link between different existing mechanisms that cannot be addressed by the market, such as NAMAs, feed-in tariffs, REDD+, adaptation and technology transfer. In terms of financing, it could be a type of soft loan, capital and capital guarantee, grant, green bond, hedge fund for green activities, incentives (tax rebate) or even support for training and capacity-building. Participants also mentioned that activities under Article 6.8 could be structured by measures (windows, umbrella, facility) at the national or international level.

Participants highlighted the gap on adaptation, which is featured in Article 6 under paragraphs 1 and 8 but not under paragraph 2, and questioned how adaptation outcomes would be transferable. Participants further pointed out that the mechanism for adaptation in Article 7 of the Paris Agreement is only for planning adaptation activities but has no provisions for funding their implementation.

In addition, participants touched on the importance of private sector participation due to its efficiency. But it remains a question as to what the incentives would be to the private sector under non-market approaches.

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

User-friendly, low-cost instruments. Overall, participants expressed the need for simple and user-friendly instruments, which should have flexible and clear procedures and, most importantly, be low-cost.

Climate finance and Article 6 activities. For participants, climate finance could ensure the prompt start of activities under Article 6 in the region and support a better regional distribution. The need to have consistency between climate finance and these instruments was mentioned.

Quantifying benefits of units transferred. Participants also discussed how sustainable development benefits of units transferred could be quantified. Three ideas were put on the table: (i) the use of the Sustainable Development Goals; (ii) leaving it to host countries; and (iii) having minimum requirements in the form of guidelines or tools.

Transition from Kyoto Protocol to Article 6 instruments. The most discussed item was on the need for a seamless transition from the Kyoto Protocol instruments and those under Article 6, which would set signals for early action under the Paris Agreement, and restore demand and investor confidence. Participants noted that ending the CDM now would be particularly damaging to Africa, where a sizeable participation in the CDM was only achieved late. Solutions proposed include recognizing CERs as instruments of compliance under the Paris Agreement or transitioning CERs to Article 6, with possible application of a discount factor.

The private sector and long-term investment. The private sector needs to ensure that there is an opportunity for long-term investment. Therefore, if CDM projects are discontinued and CERs are not allowed under the Paris Agreement, finding investments for Article 6 could be very difficult.