East and Southern African non-State actor dialogue on Article 6 of the Paris Agreement

Summary Report

Organized by:

Regional Collaboration Centre (RCC), Kampala

18 July 2016

Supported by:

Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety

Background

The “East and Southern African non-State actor dialogue on Article 6 of the Paris Agreement” organized by the Kampala regional collaboration centre (RCC) took place in Entebbe, Uganda on 18 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 under the Paris Agreement.

A total of 19 regional experts participated in this event, including representatives from think tanks, project developers, consultants and researchers who are working in the field of climate change and users of market, non-market and cooperative instruments.

The dialogue started with the opening remarks from Mr Chebet Maikut, Designated National Authority (DNA) of Uganda welcoming the participants and informing on the importance of Article 6 and the need to act soon. Further, he also mentioned that the RCCs could play an important role to help on the implementation of the Paris Agreement.

Report from the dialogue

Regional circumstances and trends

Twenty-three out of 24 countries in the East and Southern African region are underrepresented in the clean development mechanism (CDM), due to various reasons, in particular due to the lack of finance. CDM took a long time to take off in the region, but opportunities increased with the CDM programme of activities. However, issuance is still quite low due to the current low demand. East and Southern Africa is currently focusing on renewable energy, such as the projects established through the Sustainable Energy for All (SE4All) initiative. Under the Green Climate Fund, three out of nine proposals have been approved in Kenya, Malawi and Rwanda. Under nationally appropriate mitigation actions (NAMAs) three activities the region (in Ethiopia, Kenya and Namibia) have received support for preparation of NAMA documents, while 23 others are seeking such support. South Africa initiated domestic offsetting with the elaboration of carbon tax. However, the provisions for carbon taxes have received criticism, and there will be long discussions until it is established next year.

The participants started the dialogue talking about their concerns and expectations related to Article 6, which can be summarized as follows: expectation of a user-friendly instrument to meet the 1.5°C target; looking forward to having a new mechanism that can support developing countries; learning from the other existing mechanisms in compliance and voluntary markets; the desire for a balanced approach to enable sustainable development; how financing can be achieved; and collaboration between the private and public sectors to achieve the target in the nationally determined contributions (NDCs).

Participants highlighted that achieving the commitments set forth in the NDCs of the region would require climate finance, expertise in the area of climate change, institutional capacity and improved internal arrangements (e.g. linkage between DNAs and various ministries within the country).

Participants also stated that there is still not a full understanding of the Paris Agreement, including NDCs and Article 6. Therefore, capacity building will be important for the region to ensure that all requirements are fulfilled and opportunities are not missed, particularly those related to Article 6. For the participants, Article 6 should have an appropriate certification system with sustainable development benefits and a robust Monitoring, Reporting and Verification, ensuring transparency and avoidance of double counting.

In-depth discussion on Article 6

Participants expressed that all instruments under Article 6 should be able to deliver mitigation action under NDCs. However, they expressed concerns about NDCs as these may not yet be quantified, and are vague and need clarification. In addition, participants saw differences in the types of NDCs as potentially having a strong impact. Participants wondered whether the instruments would drive high ambition or whether high ambition would drive the instruments. Furthermore, they voiced that there is no clarity yet on whether the conditional vs. unconditional nature of commitment matters for ambition. Participants generally shared the understanding that achieving the NDCs could qualify as high ambition.

The participants asserted that instruments under Article 6 should be grounded in reality and suggested that a list of real activities be established to see how they could fit under new instruments. Participants also asked how the instruments would link to each other and how current national instruments would relate to and link with Article 6 instruments. In general, participants wondered how instruments in Articles 6.2 and 6.4 of the Paris Agreement would differ from CDM and joint implementation.

The participants also wondered how baselines would be set under the new instruments and how outcomes would be measured. They came to a consensus that the outcomes would be expressed in greenhouse gas but that the use of energy units could also be considered. Overall, the need was expressed to ensure comparability of units and even uniform units.

Article 6.2 – Internationally transferred mitigation outcomes

Participants questioned how quality could be ensured under such a mechanism. They suggested that given the low level of trust in outcomes from other Parties, oversight may be needed. In this regard, participants asked whether governance should be a governance of outcomes or a governance of approaches.

Participants expressed that currently it is not clear how transparency and environmental integrity would be ensured. They suggested linking environmental integrity with the UN Sustainable Development Goals (SDGs). On the nature of the outcomes, participants generally viewed internationally transferred mitigation outcomes as traceable to an activity, but expressed that activities could be undertaken at a more aggregated level, such as under sectoral approaches or emissions trade schemes. Participants also voiced that bilateral mechanisms could be accommodated under this instrument.

Participants also wondered how transfers of outcome under this instrument would be implemented, and whether internationally transferred mitigation outcomes under article 6.4 are only allowed for higher ambition or for meeting INDCs in general.

Finally, participants emphasized that for non-state actors, in particular the private sector, cost-effectiveness in emission reduction is a key factor to consider.

Article 6.4 – Mechanism

On the one hand, participants asserted that the mechanism under Article 6.4 could be just like the CDM; on the other hand, they highlighted a number of potential differences. For example, since all Parties have NDCs, the consideration of policies under the mechanism would need to be clarified. Participants expressed that the mechanism could be less restrictive than the CDM and also accommodate bilateral activities or sectoral crediting. Participants suggested that baselines for this mechanism could be set at the national level (or at the level of a region comprising several Parties) instead of international level.

Participants suggested a full range of improvements compared to the CDM. They recommended switching to less political governance, with a better representation of the private sector and other constituencies (i.e. technical and policy experts from various regions) in the supervisory body of this mechanism. It was also suggested that the division of responsibility between Board and secretariat be revisited, given the complex and lengthy decision-making process. A key recommendation was to have a simpler and more user-friendly mechanism with less bureaucracy involved, a digitalized system, an extensive use of positive lists and a complexity that is on the regulator side but not on the user side. Participants also highlighted the need for a better appraisal and recognition of sustainable development benefits, including, if necessary, through an external assessor/certifier.

In addition, participants suggested that the wealth of experience and literature be explored for possible improvements to the CDM. Further possible improvements include expanding the role of designated national authorities to make them more proactive, having a more reactive fee structure, and improving the contractual relationship between the designated operational entities and project developers.

Article 6.8 – The Framework for non-market approaches

In discussing non-market approaches, participants stated that they should be transferable but not tradable. Possible activities under this approach could be corporate social responsibility initiatives, voluntary carbon neutrality, technology transfer, carbon tax, policy–instruments such as feed-in-tariff, and NAMAs. Participants also affirmed the value of having certain activities that required only minimum support, activities in capacity building, and support to access funds and mechanisms. Some participants also suggested that Article 6.8 cover forestry activities. They also pointed out that activities could make use of positive lists and could contain aggregated initiatives for specific sectors (windows). They raised questions about duplication with other initiatives (e.g. NAMAs) and how to avoid such duplication.

An important point raised was about how this approach would fund activities and incentivize participation of the non-State actors, including the private sector without using markets.

Another key point was that this instrument could be an important instrument for African countries due to the relevance of adaptation in Africa.

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

Stronger representation of non-State actors. Participants were unanimous on the need for better representation of non-State actors in international negotiations, although they were not clear how this could be achieved. They were also keen to be kept informed and to participate in the process for the implementation of the Paris Agreement and its Article 6.

Climate finance and the carbon market. Participants also discussed the importance of climate finance for the region with respect to the future of the carbon market, as climate finance could help to resolve problems of: initial resources to roll out instruments; current low demand; regional distribution; and addressing the broader issues of poverty and sustainable development.

Linking the Paris Agreement to the SDGs. One key point mentioned by several participants was the possibility of instruments from the Paris Agreement to be linked to SDGs. This would ensure that the Paris Agreement is aligned to sustainable development and how countries report on progress, and would also ensure environmental integrity.

Capacity building. Some participants questioned the relationship between Article 6 and other articles in the Paris Agreement. They stated that there are still many issues to be clarified and for full implementation of Article 6 and the Paris Agreement in the region. In this regard, significant capacity-building will be needed, not only to policy-makers but also to non-State actors.

Transition from CDM to Article 6 mechanisms. Although participants were very positive about Article 6, they stated concerns regarding the transition from the CDM to instruments under Article 6, in particular ensuring continued action to avoid further risks and frustration to project developers and other stakeholders in the carbon market. They also highlighted that the issue of lack of demand, which emerged for the CDM, should be considered when implementing the new instruments under Article 6.