

Article 6 of the Paris Agreement: Informal technical expert dialogues

Overall mitigation in global emissions

September and October 2021



Guiding questions for this informal technical expert dialogue

- How can OMGE best be delivered?
- What other unresolved issues have an effect on delivery of OMGE in the mechanism?
- How do these issues relate to the rest of the package (Article 6/the wider Glasgow outcome) and how could resolving these issues contribute to reaching consensus?



Contents of this informal technical information slide pack

- Summary of approaches for OMGE as per COP 25 1st and 3rd Presidency text for Art.6.4*
- Possible allocation of A6.4ERs for OMGE in the mechanism registry
- Summary of approaches for OMGE as per COP 25 1st and 3rd Presidency text for Art.6.2*
- Comparison of the approaches for OMGE as per COP 25 1st and 3rd Presidency text for Art.6.2 and Art.6.4*
- Comments from ITEDs

** Approaches as included in the 1st version and the 3rd version of the COP 25 Presidency text cover the range of approaches as per the three versions*

All slides are without prejudice to the outcome of Article 6 negotiations



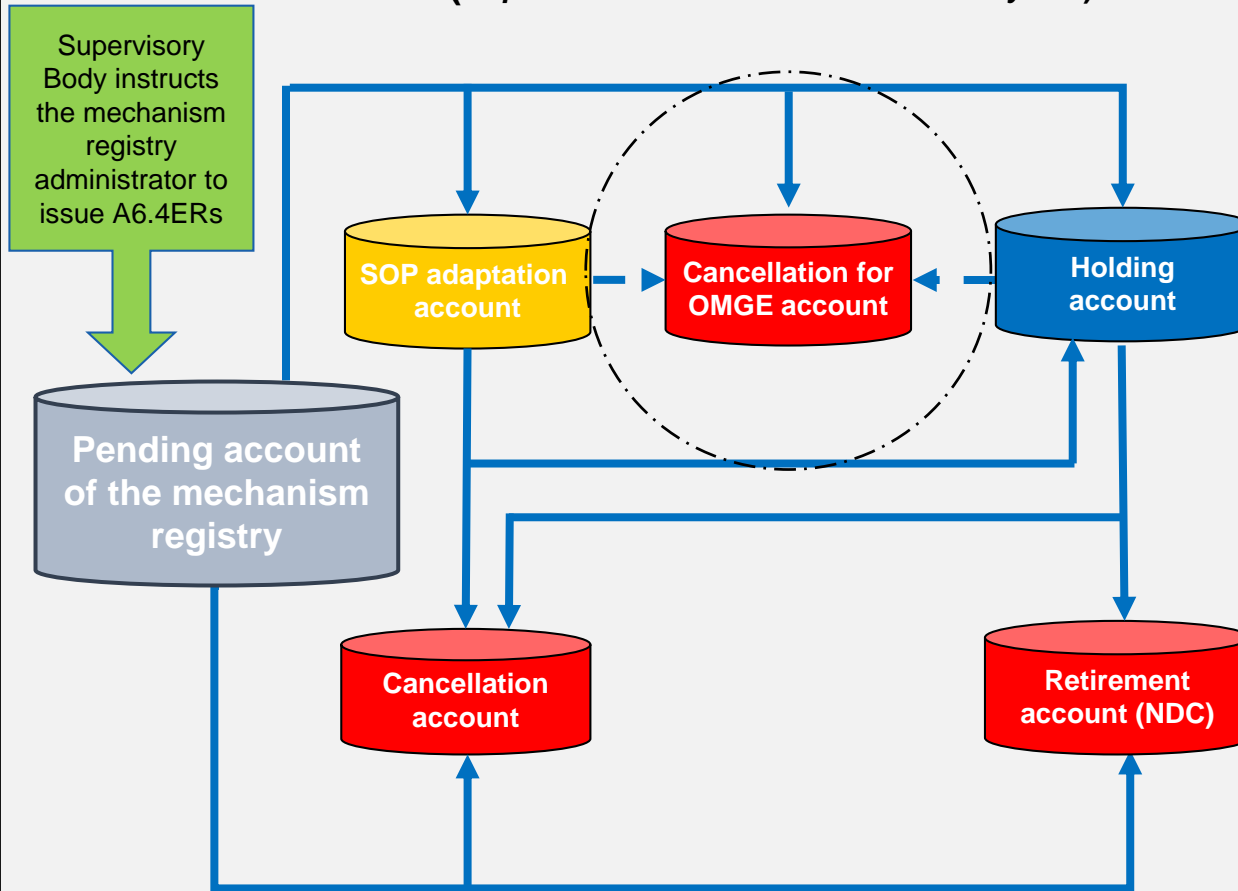
Summary of approaches for OMGE as per COP 25 1st and 3rd Presidency text for Art.6.4

OMGE	Article 6.4		
	1 st Presidency Text		3 rd Presidency Text
	Option A	Option B	
Means for delivery	<ul style="list-style-type: none"> Conservative baselines; Conservative default EF; and Voluntary cancellation 	<ul style="list-style-type: none"> Cancellation of A6.4ERs to an account for OMGE in the mechanism registry 	<ul style="list-style-type: none"> Cancellation of A6.4ERs to an account for OMGE in the mechanism registry
Obligation	<ul style="list-style-type: none"> Mix of mandatory and voluntary 	<ul style="list-style-type: none"> Mandatory 	<ul style="list-style-type: none"> Mandatory
When	<ul style="list-style-type: none"> Before issuance Some time after issuance (for voluntary) 	<ul style="list-style-type: none"> At issuance 	<ul style="list-style-type: none"> At issuance
Level	<ul style="list-style-type: none"> Not specified 	<ul style="list-style-type: none"> X/10/20/30 % of issued A6.4ERs 	<ul style="list-style-type: none"> TBD \geq 2 % (SBSTA work programme)
Conditions	<ul style="list-style-type: none"> Not specified 	<ul style="list-style-type: none"> Total issued A6.4ERs correspondingly adjusted by the host Party Cancelled A6.4ERs shall not be used for any transfer or purpose 	<ul style="list-style-type: none"> Total issued A6.4ERs to be correspondingly adjusted by the host Party Cancelled A6.4ERs shall not be used for any transfer or purpose
Reporting	<ul style="list-style-type: none"> Not specified 	<ul style="list-style-type: none"> Annual report of SB to CMA Implied through reporting requirements for transactions with A6.4ERs 	<ul style="list-style-type: none"> Annual report of SB to CMA Implied through reporting requirements for transactions with A6.4ERs
Review of level	<ul style="list-style-type: none"> Not specified 	<ul style="list-style-type: none"> SB to evaluate the rate [2][4] years after initiation and every 5 years thereafter and make recommendations to the CMA on possible improvements of the % 	<ul style="list-style-type: none"> SB to evaluate the rate 4 years after initiation and every 5 years thereafter and make recommendations to the CMA on possible improvements of the %



Possible allocation of A6.4ERs for OMGE in the mechanism registry

Possible mechanism registry transaction flow (as per the COP 25 1st and 3rd Presidency text)



Explanation

- This diagram depicts the possible transaction flow of the mechanism registry and the pathways to allocating A6.4ER for OMGE drawing on the COP 25 1st and 3rd Presidency text (1stPT and 3rdPT)
- The account for cancellation for OMGE receives A6.4ERs from the pending account where the mechanism registry administrator transfers a percentage of A6.4ERs at issuance as per option B of the 1stPT and the 3rdPT
- The account for cancellation for OMGE receives A6.4ERs from the account for the share of proceeds (SOP) for adaptation and from any holding account as a voluntary contribution to OMGE as per option A of the 1stPT and in addition to the mandatory cancellation at issuance (from the pending account)

- Transaction
- - - - - Transaction as per option A, COP 25 1st Presidency text
- Account (account type is indicated within the shape). Multiple accounts per account type are possible



Summary of approaches for OMGE as per COP 25 1st and 3rd Presidency text for Art.6.2

OMGE	Article 6.2		
	1 st Presidency Text		3 rd Presidency Text
	Option A	Option B	
Means for delivery (by whom)	<ul style="list-style-type: none"> Parties and stakeholders to cancel ITMOs (incl. A64ERs) to deliver OMGE 	<ul style="list-style-type: none"> All cooperative approaches to contribute to the delivery of OMGE through the cancellation or setting aside of % of ITMOs 	<ul style="list-style-type: none"> Participating Parties and stakeholders to cancel ITMOs to deliver OMGE
Obligation	<ul style="list-style-type: none"> Strong encouragement 	<ul style="list-style-type: none"> Mandatory or encouragement 	<ul style="list-style-type: none"> Mandatory
When	<ul style="list-style-type: none"> Not specified 	<ul style="list-style-type: none"> For % cancellation - at issuance For % discounting - at use 	<ul style="list-style-type: none"> Not specified
Level	<ul style="list-style-type: none"> Not specified 	<ul style="list-style-type: none"> Same as for A6.4ERs (a % cancellation or a % discounting) 	<ul style="list-style-type: none"> Commensurate with the scale delivered under Article 6.4
Conditions	<ul style="list-style-type: none"> Not counted towards any Party's NDC or other international mitigation purposes 	<ul style="list-style-type: none"> In a manner consistent with the methodology for the delivery of OMGE under Article 6.4 Not be used for any transfer or purpose, including use by any Party towards its NDC or for other international mitigation purposes OMGE shall not be applied to A64ERs that have already contributed under Art.6.4 	<ul style="list-style-type: none"> Not counted towards NDC or for other international mitigation purposes
Reporting	<ul style="list-style-type: none"> Parties shall report on their contributions to OMGE in the CARP 	<ul style="list-style-type: none"> Each participating Party shall include in its BTR information on how each cooperative approach in which it participates contributes to OMGE and whether the method of application is applied as a % cancellation at issuance or a % discounting at use 	<ul style="list-style-type: none"> Each participating Party shall report on delivery of OMGE related to its participation in its BTR
Review	<ul style="list-style-type: none"> Not specified 	<ul style="list-style-type: none"> Review of OMGE under Article 6.4 would have an effect insofar as the delivery of OMGE is consistent with Article 6.4 	<ul style="list-style-type: none"> Review of OMGE under Article 6.4 would have an effect insofar as the delivery of OMGE is commensurate with Article 6.4



Comments from ITEDs

	Issue	Argument	Alternative argument
Art.6.4	Corresponding adjustments by host Party	The obligation on the host Party to correspondingly adjust for the 6.4 ER only applies where the 6.4ER is internationally transferred and does not apply for the OMGE portion. Where issued 6.4ERs are used domestically there should be no requirement to correspondingly adjust. As a result, paragraph 67 (a) of the third draft Presidency text should not be included in section VIII	A6.4ERs will show in the inventory of the host Party, therefore the host Party needs to adjust for A6.4ERs cancelled for OMGE
	Approaches to OMGE	Host and acquiring Party share the responsibility to ensure OMGE. The Host Party ensures OMGE through conservative baselines for the activities and an automatic cancellation is applied to 6.4ERs in the transferring-in/acquiring Party account – the relevant percentage of A6.4ERs are transferred to a dedicated OMGE account in the mechanism registry where they are cancelled	A6.4ERs for share of proceeds for adaptation can be voluntarily cancelled for OMGE
	Alternative approach to 6.4 as a non-market approach NMA	If the 6.4 mechanism is seen as an NMA, OMGE should not be addressed as a tariff on international transfers. The framework for NMA would bring robust monitoring, reporting and verification and OMGE would be seen in the context of reporting towards a common goal	
Art.6.2	Applicability of OMGE	OMGE should be applied only once - if OMGE applies to the 6.4 mechanism in respect of an activity, internationally transferred 6.4ERs from that activity should not subsequently have OMGE applied to them per 6.2 guidance	No provisions on OMGE needed
Art.6.2 and Art.6.4	Understanding the impact of OMGE	Where OMGE is operationalized through cancellation, reporting through initial reports, annual information and regular information per Article 6.2 for cooperative approaches and by the supervisory body annually/periodically to the CMA in relation to 6.4 mechanism OMGE could enable Parties to understand the impact of OMGE	Where OMGE is achieved through technical solutions including conservativeness and voluntary cancellation, information on the effect of conservativeness could be compiled into a report by the 6.4 body to the CMA and, in relation to voluntary cancellation, through registry reports.



The cooperative implementation webpage:

<https://unfccc.int/process/the-paris-agreement/cooperative-implementation>

