



Co-Chairs' summary of the Presidencies' consultations on Article 6 of the Paris Agreement (cooperative approaches, the mechanism, the framework for non-market approaches)

29-30 March 2021

Introduction

We held the third of our monthly multilateral consultations on 29-30 March 2021, focusing on Article 6 of the Paris Agreement. We were very pleased with the positive tone of discussion and the proposals for ensuring an effective way forward. Parties made clear their commitment to concluding negotiations on Article 6 at COP26. Given the extended delay, it is now essential that the outcome at COP26 enables the prompt implementation of all three elements of Article 6 from 2022.

We were pleased to have opening remarks from the Subsidiary Body for Scientific and Technological Advice (SBSTA) Chair, Mr Tosi Mpanu Mpanu, who set out his plans for a series of SBSTA informal technical expert dialogues to be run in the coming months.¹ The SBSTA Chair encouraged Parties and groups to make submissions on the topics of the dialogues. The SBSTA Chair noted the importance of delivering rules that can be implemented and used by state- and non-state actors involved in Article 6. In that regard, observers will be able to listen into the technical expert dialogues and make submissions on the topics under consideration.

Prior to these Presidencies consultations on Article 6, we published three discussion questions² to help to structure the discussion and solicit Parties' views. We asked Heads of Delegations (HoDs) what were the key areas requiring their attention, what solutions we can consider to overcome existing divergences, and how HoDs can work together most effectively this year to make progress. We also asked HoDs what decisions might be needed from the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) in relation to transition issues.

Identifying the key issues and possible solutions to overcome divergences

In considering the key issues that require the attention of HoDs, most Parties consistently identified a small number of issues that remained unresolved at the end of COP25 and which HoDs will need to consider this year.

The first of these was the **share of proceeds/finance for adaptation from Article 6**. A variety of Parties agreed on the importance of Article 6 providing finance to support adaptation action. Parties expressed different views on how this should be achieved. We heard a number of Parties and groups point to the need for balance between Article 6.2 cooperative approaches and the Article 6.4 mechanism, in order not to disadvantage the mechanism. To achieve this a number of Parties reiterated their support for a mandatory share of proceeds for adaptation under Article 6.2. Conversely, we heard others expressing that a share of proceeds for adaptation on Article 6.2 cooperative approaches would not be consistent with the Paris Agreement.

¹ [SBSTA Chair Lobby](#)

² [Informal consultations by the COP 25 Presidency and the COP 26 incoming-Presidency](#)

Although we did not hear any clear solution to overcome this divergence, a number of Parties noted the treatment of adaptation financing in version 3 of the Article 6.2 Presidency text from COP25³, which ‘strongly encouraged’ voluntary contributions commensurate to the rate of those under Article 6.4. A few Parties suggested this approach could be a useful starting point for discussions this year - with one describing it as a likely landing ground - but views differed on how exactly to move forward, with some expressing that it cannot be a basis for further compromises. We also heard calls to think creatively about solutions: for instance, consideration of other options for implementing the share of proceeds for the Article 6.4 mechanism. More broadly, some Parties encouraged others to consider the bigger picture for adaptation financing: while Article 6 is important, it will not be the sole means of raising adaptation finance and so should not be seen in isolation from other sources.

The second of the key issues identified was **avoiding double use/avoiding double counting in the 6.4 mechanism**. Parties expressed views largely consistent with those of previous years, with many emphasising the importance of avoiding double counting. At the same time, some Parties stressed that a resolution to this issue cannot infringe upon the nationally determined nature of Nationally Determined Contributions (NDCs). With regards to accounting treatment for mitigation outcomes generated outside of NDC scope, a number of Parties also made clear that this matter is relevant to Article 6.2 as well as Article 6.4.

In reflecting on possible solutions, some HoDs expressed their views on the compromise approach suggested at COP25, which proposed a time-bound exemption from the requirement to undertake a corresponding adjustment where the emission reduction is generated outside of the scope of the NDC of the host Party. Parties were divided on this as a way forward: while a few Parties indicated such a time-bound exemption may be a way forward, others said it was not acceptable, even if the exemption were to apply for only a few years. Arguments against an exemption included that it could be inconsistent with Article 6 in so far as it would run counter to delivering an overall mitigation for global emissions. We also heard differing views on whether corresponding adjustments should apply to all mitigation outcomes or only those generated within the NDC scope of the host Party.

We noted a few specific comments on the details of possible solutions. These include that the exemption could be linked to the length of the first NDC period, and that in instances where the scope of an NDC scope was not clear, the host Party could be asked to clarify that upfront to increase transparency. One Party also suggested that if the host Party did not wish to account for the transfer of Article 6.4 emission reductions generated outside the scope of its NDC, those reductions could instead be used for results-based financing.

A third key issue identified was the **transition from the Clean Development Mechanism (CDM)**, including the use of CDM Certified Emission Reductions (CERs) towards meeting NDCs and the transition of existing CDM projects to the Article 6.4 mechanism. Regarding the use of CERs, Parties gave broadly two views: those opposed to allowing the use of CERs highlighted the risk that it could undermine collective ambition; while those in favour stressed the need to retain the confidence of private sector actors involved in the market. Regarding the transition of CDM projects, we heard general support for the idea that CDM projects could be invited to transition, subject to host Party approval and meeting the rules, modalities and procedures of the Article 6.4 mechanism. Some Parties and groups noted that decisions of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) should not be prejudged in this regard and that for there to be transition, the CMA would have to agree and invite the CMP to make corresponding decisions.

In considering possible solutions, a few HoDs reflected on the option proposed at COP25 of restricting the total amount of CERs allowed for use against NDCs on the basis of a cut-off date. We did not hear any concrete proposals for which date could be appropriate; however, given the low level of activity in

³ [Draft CMA decision on guidance on cooperative approaches referred to in Article 6, paragraph 2 \(Ver. 3\)](#)

the CDM market in recent years, one Party suggested that such an approach would not provide a meaningful transition. In relation to the transition of CDM activities, the possible solutions were more of a technical nature, including regarding the conditions of transition and the orchestration of decisions under the CMA and CMP. This is reflected in greater detail below.

In addition to these issues raised consistently by most groups and Parties, HoDs identified other substantive issues which they considered either unresolved or that should be addressed at their level. A number of Parties highlighted that an **overall mitigation in global emissions** is an important issue. We heard from some Parties that this would be a way of moving beyond an offsetting approach and that there should be balance between the treatment of an overall mitigation in global emissions and the share of the proceeds in Articles 6.2 and 6.4. In this regard, one group suggested Parties must reconsider the level of the discount for overall mitigation in global emissions proposed at COP25.

A number of other issues were raised by different Parties and identified as important to progress, although views differed on whether they were priorities for HoDs - as opposed to expert-level negotiators - to consider. These included: **baselines and additionality approaches** under the Article 6.4 mechanism; the treatment of internationally transferred mitigation outcomes measured in **non-greenhouse gas metrics**; the importance of ensuring the **environmental integrity of cooperative approaches** under Article 6.2, including through accounting and reporting approaches. More broadly a number of groups referred to the need to ensure balance and equal progress between all Article 6 instruments, and one group pointed to the need to explore sustainable governance for the framework for non-market approaches under Article 6.8.

Decisions to be taken under the CMP

We heard from many groups and Parties that the CMP will need to take a decision to address matters relating to the CDM at CMP16/COP26. Parties identified two broad, interrelated areas which a CMP decision could address. The first was to give guidance to the CDM Executive Board on the post-2020 operations of the CDM. This follows the request for CMP guidance from the CDM Executive Board made at the end of 2020 and the temporary measures that the CDM Executive Board has implemented.⁴ The second was to provide guidance to the CDM Executive Board related to any transition between the CDM and the Article 6.4 mechanism.

In the context of the latter, Parties expressed differing views on the future role of the CDM. Some Parties said that any decision enabling a transition between the CDM and Article 6.4 should be part of an orderly winding down and phasing out of the CDM after the second commitment period. In this regard, the CMP could provide guidance on matters such as an end date for registration and renewal requests under the CDM. Others indicated a continuing role for the CDM, allowing Parties to reduce emissions, and some Parties referred to a possible third Kyoto Protocol commitment period.

A number of Parties also made reference to the trust fund for the CDM, as established by the CMP, and some noted that the CMP could give guidance that would allow for the funds held in the trust fund to be reallocated to some or all of the following: the operationalization of the 6.4 mechanism; the 6.2 common accounting and reporting platform; the 6.4 registry; the Adaptation Fund.

With regards to preparing for any such CMP decision in advance, one group suggested a draft CMP text could be circulated by the secretariat as draft text has not yet been developed by Parties.

How to make progress ahead of COP26

HoDs reaffirmed their commitment to the process going forward and the importance of their continued engagement. We heard a few suggestions for how the Presidencies could facilitate this in practice,

⁴ [Meeting report: CDM Executive Board 108th meeting](#)

including a number of HoD roundtables in the coming months. These could focus on the key issues identified in this consultation as those requiring HoD consideration. One Party emphasised the role HoDs have to play in identifying the trade-offs for ministers and the importance of Parties providing potential solutions early, and not waiting until the last moment. In the same vein, some parties called for political guidance from ministers and engagement between them to make progress. One group pointed to the need for HoDs to look at issues from the perspective of the risks arising from different landing ground choices and considered the absence of agreement in Madrid was due to the inability to assess and thus find ways to manage those risks.

HoDs welcomed the SBSTA Chair's plans for technical expert dialogues. We heard many suggestions on how this could best support us to move forward. One group proposed that each dialogue should result in a non-paper summarising discussions with clear options for HoDs to consider, but without amounting to negotiation text. This approach was supported by many others, referring to non-papers, reflection notes, outcome papers. All agreed on the informal status of such non-papers and that the documents would not be negotiation texts.

A number of Parties noted that other topics would be needed beyond the list that the SBSTA Chair has identified already (until August). These included the method of the corresponding adjustment under Article 6.2, as well as reporting and accounting. One group asked for the secretariat to provide analysis on the impact of transition.

Conclusion

We reiterate our appreciation to all those who participated in this constructive and informative consultation. We heard a clear commitment from groups and Parties to find solutions to the outstanding issues so that Parties can adopt full decisions at COP 26 (CMA 3, CMP 16) to enable rapid and full implementation and operationalization of Article 6, and address the issues of CDM transition.

Parties acknowledged the need to resolve issues and maintain their engagement throughout the year and we were encouraged by the number of Parties and groups who underlined the work they are doing informally and bilaterally together to identify common ground and solutions.

We will continue to coordinate closely with the SBSTA Chair and the secretariat to find ways to ensure that the HoDs are provided with the opportunity to reflect on the work of experts regularly over the next few months.