

Chair's summary, informal consultations/informal technical expert dialogue on Article 6 of the Paris Agreement

Enabling ambition in Article 6 instruments

Background

In relation to Article 6 of the Paris Agreement,¹ in the context of the June 2021 subsidiary bodies sessional period, the SBSTA Chair, Tosi Mpanu Mpanu, organized an informal consultation/informal technical expert dialogue on enabling ambition in Article 6 instruments on 2 June 2021. The discussion was facilitated by Kim Solberg of the Netherlands and Muslim Anshari Rahman of Singapore. This summary is produced by the SBSTA Chair under his own authority.

This summary aims to capture possible options for further consideration by Parties and Heads of Delegation. It is informal in nature, has no status, and does not provide negotiation text. It does not attempt to provide a record of all views expressed during the dialogue and in submissions, nor indicate the support each of the options appeared to have.

In relation to the topic of the dialogue, as at 3 June 2021, 3 Parties and groups, and 1 group of observers had made informal submissions². This summary includes content from Party and group submissions and interventions that relate to options.

The informal consultations/informal technical expert dialogue

Parties indicated various views on enabling ambition in Article 6. Interventions made, and some submissions, responded to guiding questions provided by the SBSTA Chair as follows:

Guiding Questions:

This session focuses on design elements that would allow the instruments to enable increasing ambition over time. It aims to cover general understandings and specific topics that are not addressed in other dialogues (held or to be held).

Article 6.2:

- What aspects of the reporting, review and accounting cycle can enable further ambition by Parties and are those aspects sufficiently robust in the draft Presidency texts?
- How else can the guidance for cooperative approaches enable ambition?

Article 6.4:

- What aspects of the mechanism and activity design need addressing as compared to the Presidency texts in order to enable further ambition in the mechanism, while also enabling broad participation?

Article 6.8:

- How could the work programme for non-market approaches enable further ambition in NDCs?

General points

The broad nature of the topic under discussion led to some general remarks, that addressed these points:

¹ Documents relating to Article 6 negotiations since 2016 can be accessed here: <https://unfccc.int/process/the-paris-agreement/cooperative-implementation>

² <https://www4.unfccc.int/sites/submissionsstaging/Pages/Home.aspx>.

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- That ambition in Article 6 instruments as framed by Article 6.1 is as much about adaptation as about mitigation.
 - Enabling ambition is not the same as delivering ambition and Article 6 must be designed to deliver ambition, which requires a robust rule set. Ambition can be increased or decreased depending on rules to be developed and so this issue is very important.
 - Article 6 needs to contribute to closing the gap in ambition in meeting the Paris Agreement's long-term goals, reference also being made to the 1.5-degree goal, and needs to enable progression in NDCs and help to deliver on Long term low GHG emission development strategies (LT-LEDS).
 - In this context, that Article 6 needs to move beyond pure offsetting and ensure an overall mitigation in global emissions.
 - Ambition has a different meaning for different Parties as Parties are not all at the same starting point.
 - Wide and inclusive participation, leaving no Party behind, will enable ambition, so recognizing all nationally determined contribution (NDC) types, including those based on policies and measures enables ambition as does recognizing different metrics. Article 6 must not rewrite NDCs and should not be linked to LT-LEDS
 - Without capacity building, it will not be possible for many countries to participate in Article 6, including cooperative approaches, so capacity building is one way of enabling ambition. Capacity building includes training on the reporting formats, on review provisions, and needs to be ongoing over time.
 - Ambition is also a human rights and indigenous peoples issue and about promoting sustainable development. Adequate attention to these issues would make Article 6 more usable and thus make it easier to raise ambition.
 - Availability of Article 6 in itself makes it possible for individual Parties to raise ambitions in their individual NDCs. The current draft framework already allows for mitigation ambition because it enables financial flows, allowing for lower cost mitigation, meaning more mitigation can be achieved.
 - Given the new context of the Paris Agreement, there is a need to depart from business as usual or historical approaches and instruments.
 - Parties also need to manage expectations for Article 6. Parties cannot expect that Article 6 can deliver wishes that have not been received in other negotiations and Article 6 should not be overburdened.
 - All Article 6 instruments need to be implemented in a balanced and timely manner together. This includes the scope of the Framework for Non-Market Based Approaches, which should assist Parties in the implementation of their NDCs in the context of sustainable development and poverty eradication, including adequate, timely, predictable, and integrated access to mitigation, adaptation, finance, technology transfer and capacity-building.

Interventions that were made on other unresolved issues or parts of submissions that did not specifically address the question of enabling ambition are not covered below as they have been or will be covered in other dialogues.

Possible options for further consideration

Interventions focused on a number of possible options for enabling ambition in Article 6, that are set out below. In each case, the option has been introduced by at least one Party/group, but this summary does not seek to indicate how much support there is among Parties for each option, as Parties are familiar with the views expressed in submissions and interventions. Argumentation provided in the submissions or interventions to support the various options are set out in italics and in abbreviated and consolidated form below the relevant option. Because of the topic at hand, the main options are not mutually exclusive, in this instance.

6.2 cooperative approaches

Interventions addressed many aspects covered in the draft Presidency texts, including issues to be addressed or already addressed in other dialogues. The focus of the discussion was around the options described below.

Corresponding adjustment

- **Strengthen the rules for corresponding adjustment**

Argumentation: The accounting methods provided for in the draft Presidency texts include terms that may be ambiguous, and these could be tightened to ensure there is clarity in how to account. Having more than one accounting method may worsen the ambiguity, and over time there should be one method used by all Parties.

Argumentation: Specifying the adjustment year as being the year of generation of the underlying emission reduction would facilitate transparency and representativeness. If this were implemented, accounting would reflect the point in time when the mitigation activity has an impact on the atmosphere.

Argumentation: The corresponding adjustment treatment for reversals of removals needs further development to ensure environmental integrity as removals that are outside the NDC are not emission reductions from outside the NDC.

Argumentation: To enable higher ambition with diverse types of NDC, only the portion of the mitigation component in the NDC from which ITMOs are generated should be subjected to corresponding adjustments.

- **Ensure consistency in relation to sectors and gases and GHG and non-GHG ITMOs**

Argumentation: NDCs should not be addressed only in relation to sectors and gases and there may be misalignment between only referring to sectors and gases for GHG ITMOs and not referring to it for non GHG ITMOs and this should be resolved.

- **Provide more detail in relation to limits**

Argumentation: The draft Presidency texts contain a one-year work plan for the SBSTA and limits should be addressed in more detail in the annex containing the guidance.

Argumentation: Limits should not introduce barriers that would disincentivize participation.

- **Address safeguards**

Argumentation: Addressing reversals from removals is not sufficiently considered in the draft Presidency texts and needs further development.

Reporting

- **Increase the information required to be submitted in the initial report. In particular, include more elements from the draft requirements for regular information.**

Argumentation: At the time of the initial report, more information than is currently required per the draft Presidency texts is known by the participating Party/Parties and could be included in the initial report. Providing this information could increase transparency as to how ambition is enabled or achieved through the cooperative approach. The draft requirements for regular information require more information than does the initial report and some of those requirements could also be included in the initial report. Reference was made specifically to paragraph 22(b) of the third Presidency text.

Interventions noted the initial report should/should be required to include:

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- *How the cooperative approach:*
 - *Enables ambition through its contribution to adaptation financing*
 - *Enables ambition through ambitious or conservative baselines*
 - *Enables ambition through cancellation of units for overall mitigation of global emissions*
 - *Protects human rights, indigenous peoples*
 - *Contributes to sustainable development, including using the wording for sustainable development found in the draft rules, modalities and procedures for the 6.4 mechanism*
 - *Contributes to meeting the Party's NDC and LT-LEDS.*
 - *Ensures environmental integrity, for example through quantifying*
 - *Meets the requirements of further decisions of the CMA where the ITMOs are in a non-GHG metric*
 - *How the ITMO relates to the cooperative approach, including through the allocation, methodology and monitoring, reporting and verification.*
 - *Information in relation to the 6.4 mechanism.*

- **Be more specific about submission of annual information**

Argumentation: Include the date each year that the annual information must be submitted.

- **Increase the detail of what is required to be reported in regular information**

Argumentation: 21 (d) in the third draft Presidency text could be clearer about the information required and how the cooperative approach meets those requirements. It could be more specific to address different types of cooperative approaches such as emissions trading systems and baseline and crediting programmes.

Argumentation: Reporting of the outcomes of the cooperative approach in relation to adaptation financing and overall mitigation in global emissions should be required in addition to the current draft requirements to report on how the cooperative approach contributes to those.

Review

- **Develop the review provisions further in the guidance.**

Argumentation: The review needs to address environmental integrity.

Argumentation: The review can enable ambition by supporting Parties as to how to improve and it should be further developed in the guidance.

Argumentation: In the draft third Presidency text, the Article 6 review team "may" make recommendations; this is ambiguous and should be made clearer.

Argumentation: The guidance should specify what would be required when the Article 6 review team makes recommendations to the Party (recommendations relate to improving consistency with the guidance and addressing inconsistencies in quantified information). This review is forwarded to the Article 13 technical expert review and it is not clear what the Article 13 review is required to do with it.

Argumentation: The review of information provided by Parties should not penalize Parties.

Recording and tracking

- **Provide for more transparency of transactions and for how inconsistencies would be addressed**

Argumentation: Linking all the registries for 6.2, the 6.4 mechanism and other registries would ensure the avoidance of double counting.

Argumentation: It is not clear from the draft Presidency texts how inconsistencies identified in the Centralized Accounting and Reporting Platform (CARP) would be addressed. Clarity on how the CARP is managed would be helpful.

6.4 mechanism

Interventions addressed many aspects covered in the draft Presidency texts, including issues to be addressed or already addressed in other dialogues. Issues addressed below focus on options for enabling ambition.

Participation responsibilities

- **Further develop the provisions on cooperation between the supervisory body and host Party**

Argumentation: The supervisory body and host Parties should promote ambition in line with the host Party national priorities. This would require host Parties to ensure that when they authorize the transfer of 6.4ERs, this is consistent with and contributes to achievement of their NDC and LT-LEDS. This would also require the supervisory body to be under a duty to ensure the expressed aims of the host Party are respected. Host Parties would need to make choices on how to use the mechanism and the implications for their NDC/LT-LEDS, and the supervisory body decisions in relation to activities in that country would need to be in line with those choices. Currently, there are insufficient provisions on requiring the supervisory body to support the host Party on integrating the use of the mechanism into their NDC/LT-LEDS. Capacity building support should be provided to host Parties.

Argumentation: The centralized nature of the mechanism addresses ambition and that should not be compromised by giving more responsibilities to the host Party.

Activity Design

- **Address crediting periods**

Argumentation: These should be aligned to achievement of 1.5 degrees

Argumentation: Crediting periods should reflect the ambition cycle of NDCs and LT-LEDS under the Paris Agreement, with the possibility of limited renewal.

Argumentation: Crediting periods for activities involving removals need addressing further.

Argumentation: Paragraph 27 (b) in the third draft Presidency text is ambiguous so the text should specify that the host Party can choose crediting periods in line with its NDC and ambition, but also that the supervisory body needs to respect that.

Methodologies

- **Baseline rules need to be included in the rules, modalities and procedures in order to enable ambition**

Argumentation: These must be in the rules, modalities and procedures to be adopted at CMA.3 and cannot wait until a later time, they are an integral part of the design of the mechanism and the Article 6 package. The requirements for baselines need to be clearer than the draft Presidency texts. Paragraph 35

in the third draft Presidency text is not adequate and is ambiguous. The rules need to provide clear principles and provisions that the supervisory body can then follow.

Argumentation: Baselines should be set at forward looking performance-based standards, by reference to best available technology and be updated at NDC updates and when the host Party increases its ambition. Lock-in of technologies should be avoided. The baseline should incentivize long-term transition needed to get the economy to a balance in emissions by sources and removals by sinks in line with the Paris Agreement.

Argumentation: Baselines should respect a set of principles, be below business as usual, address leakage and the RMP should also cover standardized baselines

Argumentation: Baseline rules need to be set in a way that enables broad participation in the mechanism so that it is widely used. There should be a menu of baseline setting approaches, and the wording from the CDM can be used.

Argumentation: A menu and hierarchy approach for baseline setting could be combined.

Argumentation: Enabling the host Party to set baselines can enable ambition.

- **Additionality rules need to be included in the rules, modalities and procedures in order to enable ambition**

Additionality should identify transformative activities. Approaches that lock in high emissions should be avoided.

Argumentation: Host Party regulations are relevant as regulatory additionality.

Argumentation: Additionality requirements should be robust but not undermine national prerogatives.

Argumentation: Certain activities should be considered to be automatically additional.

Argumentation: Enabling the host Party to determine additionality can enable ambition.

Argumentation: 6.4 emissions reductions beyond policy and measures in the NDC are additional.

Avoiding the use of emission reductions by more than one Party

- **Applying a corresponding adjustment for all 6.4 emission reductions**

Argumentation: When a corresponding adjustment is not made by the host Party, it acts against increasing ambition.

Argumentation: Tracking and accounting provisions are needed for all 6.4ERs.

Levy of share of proceeds for adaptation

- **Increase the rates to allow for more adaptation financing**

Argumentation: A higher percentage share of proceeds directly increases ambition in relation to adaptation finance. The share of proceeds should also apply to 6.2

Delivering overall mitigation in global emissions (OMGE)

- **Revise the cancellation rate for OMGE to enable ambition**

Argumentation: OMGE delivers ambition and the discussion should return to the rates set out in the first draft Presidency text where one option for the rate is X/10/20/30. OMGE should also be applicable to 6.2.

Argumentation: Delete the obligation to cancel 6.4ERs for OMGE as a cancellation obligation discourages participation and wide participation is necessary if the mechanism is to enable ambition.

6.8 Framework for non-market approaches (NMAs)

- **Have a Facilitative Mechanism and a Platform for NMAs and be operationalized by a Task Force**

Argumentation: The Task Force would address the operationalization of the framework between CMA.3 and CMA.4 and the Facilitative Mechanism could coordinate and operationalize NMAs. The Platform would contain NMA referred to in NDCs. This institutional arrangement would enable ambition for the framework for non-market-based approaches.

Argumentation: The review of the work programme is scheduled for 2025, which implies 10 years to develop a proposal that was agreed upon when the Paris Agreement was adopted.

- **Enhance the draft work programme in terms of enabling ambition through adaptation, finance, technology transfer and capacity building**

Argumentation: The work programme should better address adaptation, finance, technology transfer and capacity building as this would enable more ambition.

Argumentation: Improve references to legal and regulatory frameworks and consider the balance of mitigation and adaptation and resilience building.

Argumentation: develop tools for implementation, measurement and monitoring of NMAs to address climate change in the context of sustainable development.

Argumentation: Monitor and report annually provision of finance, technology transfer and capacity building to NMAs for the implementation of NDCs.

Argumentation: The framework should promote transformative and innovative approaches.
