

**Informal Submission by Egypt on behalf of the Arab Group
On Article 6 of the Paris Agreement under the UNFCCC
(The Issue of Share of Proceeds for Adaptation)**

1. The Arab Group hereby presents this informal submission in response to the call made by the SBSTA Chair to facilitate Party discussions at the informal technical expert dialogues hosted by him. This informal submission is made with the understanding that it does not constitute a formal or official document for the UNFCCC negotiations, and is submitted without prejudice to such other submissions that may be made by the Arab Group. The Arab Group is of the view that the purpose of the technical dialogues is to provide the space for Parties to better understand their respective views, while acknowledging that it shall not prejudge or replace in-person sessions nor that they be considered negotiation meetings.
2. The Arab Group wishes to highlight the following points:
 - a) Applying the Share of Proceeds under both Articles 6.2 and 6.4 of the Paris Agreement under the UNFCCC for the Adaptation Fund is necessary due to the importance of the issue of adaptation for developing country Parties, as adaptation efforts are severely underfunded compared to mitigation efforts. Therefore, it is critical to mobilize a stable source to increase adaptation finance.
 - b) Article 2.1(a) and (b) of the Paris Agreement clearly indicates that this Agreement, in enhancing the implementation of the UNFCCC, including its Objective, aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including by increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.
 - c) Article 6.1 of the Paris Agreement clearly recognizes Parties choice in allowing for higher ambition in their mitigation and adaptation actions and to promote sustainable development and environmental integrity, hence, adaptation is an integral and key part in the approach of Article 6, and must not be excluded from Article 6.2.
 - d) Equal treatment of the Share of Proceeds under both Article 6.2 and 6.4 of the Paris Agreement creates a stable sources of long-term adaptation finance that will support the purpose of Paris Agreement to strengthen the global response to the threat of climate change. This will also avoid disadvantaging the Article 6.4 mechanism by avoiding incentives to bypass the global mechanism altogether and limit voluntary cooperation to the cooperative approaches under Article 6.2.

- e) Key lessons from the Clean Development Mechanism under Kyoto Protocol must be learned and incorporated into the design of the share of proceeds. This includes avoiding that more finance is raised for administrative purposes than for adaptation.
3. In light of that, the Arab group would like to share the following proposal:
- a) The Share of Proceeds under Articles 6.2 and 6.4 are to cover administrative expenses and assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation measures. The Share of Proceeds shall be levied as a mix of monetary fees as well as a percentage of credits to have a balance between stable income and the option to benefit from higher market prices, to maximize funds to the adaptation fund, where there should be an equal treatment of the Share of Proceeds under Article 6.2 cooperative approaches and under Article 6.4 mechanism.
 - b) Under Article 6.2, the monetary fees can be applied on annually transferred net amounts of ITMOs and charged to the acquiring Party. This approach is applicable to any type of cooperative approach and would accommodate the use of multiple metrics when reporting ITMOs.
 - c) Under Article 6.4, the monetary fees can be levied at the point of 6.4 ERs issuance.
 - d) While the 2 percentage of credits under both Article 6.2 and 6.4 can be applied as follows:
 - i. Under Article 6.2 the 2 percentage of Article 6.2 ITMOs shall be levied at the transfer and charged to the acquiring party.
 - ii. Under Article 6.4 the 2 percentage of Article 6.4 ERs shall be levied at issuance.

The Arab Group would like to reiterate the important role of Article 6 of the Paris Agreement under the UNFCCC in providing a stable source to raise adaptation finance.