Report from Singapore and Norway on the Informal Ministerial Consultations on Article 6
22 Oct 2021

Ministers have now met on a number of occasions to discuss Article 6 since the start of the informal ministerial consultations in July. Most recently, Ministers also met at Pre-COP to explore common ground on the three issues and any package that could emerge. There have also been bilaterals at the Heads-of-Delegation level with a wide range of groups and Parties.

Key impressions from the bilaterals

As communicated to Parties, the intent of the bilaterals was not to advocate a particular solution, but to see where Parties had room for manoeuvre on the potential bridging options, so as to better assess where there could be common ground on the three issues of focus. The understanding of Parties' positions, the implications of certain options and where you see the trade-offs are better understood. Although not much movement from Parties on the issues was observed, many expressed a willingness to engage on the bridging options if they could see the holistic package beyond the three issues.

On **adaptation finance under Article 6.2**, Parties agree in general on the need for greater and more predictable finance for adaptation, but views differ on how, and whether, this should be reflected in Article 6.2. Clearly for some groups and Parties a mandatory share of proceeds is the only way to ensure Article 6.2 generates finance for adaptation; but there are others who strongly disagree. This divergence has been there for many years. Parties were asked how to move forward, including their views on the approach in the third iteration of the COP25 Presidency text. It was asked, fully recognising it is not a mandatory requirement, whether the Madrid approach could nevertheless form a useful basis to explore how to reach an outcome which can both generate finance for adaptation and be agreeable to all. Notwithstanding the mandatory or voluntary nature of the obligation, there are several questions that still needs to be considered:

- The extent to which any guidance should stipulate prescriptively how adaptation finance should be delivered under Article 6, or if flexibility can be exercised by the cooperating Parties.
- How any guidance could achieve balance between Articles 6.2 and 6.4 in practice, noting the different nature of the instruments.
- Whether reporting on adaptation finance under Article 6.2 should be mandatory or voluntary, as well as how and where this information should be reported. There is a need to consider what should be reflected in the main guidance text and what can be captured in the work programme if further work is needed.
- There is broad agreement on the need for more adaptation finance. We now need to find the most workable/promising solutions for article 6.2 to galvanise the support needed, rather than nurturing old divides.

On **corresponding adjustments for "outside" 6.4 units**, the idea of a limited opt out period during which corresponding adjustments would not apply for 6.4 units from outside NDCs, as well as the basis for determining what is inside and outside, were explored with Parties. This is one issue where Parties appear to hold stronger views since Madrid. Nevertheless, Parties engaged with openness in explaining the merits and risks of such a proposal. The following are highlights:

- Many consider allowing “outside” 6.4 units itself a compromise, and have expressed discomfort with a grace period up until 2030, while others consider 2025 to be too short. It may be useful to consider alternative years between these two, to see if there is a more acceptable date.
- On scope, views are divided on how the guidance should address this. Several Parties maintain the need for flexibility for the host to determine this, including to accommodate policies and measures, while others argue that this could entail a risk of double-counting in an inventory-based approach. A few highlighted that any Article 6 guidance should not undermine the rules already agreed at COP24.
- Parties generally agreed that it could be useful to consider how early information on how the activity relates to its NDC, prior to the registration and approval by the 6.4 Supervisory Body, could mitigate some of this risk.
- If Parties are not able to agree on the approach of a grace period, or how to determine scope, there is merit to consider whether there are other alternative ways of resolving this issue. Suggestions on restrictions on the use of “outside” 6.4 units were also raised.

On the **issue of the use of pre-2020 units,** Parties were asked whether they would be willing to consider a limited number of units being eligible for use against NDCs. They were also asked whether 2013 or 2016 might be agreeable cut-off years for CDM project registration. Noting that many continue to have strong reservations about this proposal given its risks to environmental integrity and ambition, nevertheless some movement in Party positions were observed, highlighting the following:

- Broadly, there seem to be more flexibility to accept some carry-over, under certain clearly defined conditions and with appropriate safeguards. For example, some suggested limiting the use to only host Parties.
- Views were divided on an appropriate date, with 2016 too late for some and 2013 too early for others. It was highlighted that registration rates under the CDM have not been uniform across host countries, and that different dates affect different countries to different extents.
- Also references made to a unit reserve were heard, although without much detail. It could be useful for Parties to further consider this, for instance on how the reserve could work and under what conditions the units could be used.
- The Parties who indicated flexibility on this were also clear that it would be contingent on a broader package that consists of other elements within Article 6, including corresponding adjustments for outside 6.4 units, CDM activity transition, OMGE, and baselines and additionality.

<u>Way forward</u>

We have heard clearly from Parties that these three issues should not be viewed in isolation, but as part of a broader Article 6 package where the Art 6 issues need to be landed along with others. Now is the time for Parties to explain concretely where they see the trade-offs between all of the issues and what a balanced outcome means to them. In this regard we hope the options paper issued under the authority of the SBSTA Chair can help ministers, HODs and experts navigate the various options and better assess the links and trade-offs.

We hope Parties will engage one another and come to COP prepared to work constructively and with flexibility. As a concluding message, we would like to remind all that closing Article 6 this year can raise global climate ambition, including finance needed badly for adaptation. Flexibilities do not necessarily reflect backsliding. Rather, if we get the rules right, Article 6 will provide a useful tool for countries who could not otherwise meet higher standards to raise their ambition in a phased manner. The international community, including the private sector, is

also watching this space closely. We risk having different accounting systems apply to different mechanisms, which could result in the erosion of environmental integrity, if there are further delays in our work. If we cannot land Article 6 this year, we will be worse off as a whole as we would not be sending the right signals to enhance confidence on international cooperation needed to deliver the 1.5^{o}C ambition.

Finally, we would like to thank Parties for accommodating the intensive consultations regime, and for your views and ideas, and not the least the positive and constructive spirit and willingness to arrive at solutions that you have shown during this process. We look forward to your continued support as we all work to finalise the guidelines on Article 6 at COP-26. Thank you.

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