#### **INTRODUCTORY WEBINAR**

## **ARTICLE 6 OF THE PARIS AGREEMENT & CARBON MARKETS**

Jointly organized by



UNITED NATIONS DEVELOPMENT COORDINATION OFFICE EUROPE AND CENTRAL ASIA



United Nations Climate Change



RCC Asia and the Pacific Collaboration for Climate Action



RCC MENA and South Asia Collaboration for Climate Action



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#### Mr. Dyfan Jones

Senior Regional Coordination Officer

DCO in Europe and Central Asia



UNITED NATIONS DEVELOPMENT COORDINATION OFFICE EUROPE AND CENTRAL ASIA

#### **INTRODUCTORY WEBINAR ON**

#### **ARTICLE 6 OF THE PARIS AGREEMENT AND CARBON MARKETS**





RCC Asia and the Pacific



IGES





#### Welcoming Remarks

•Ms. Gwi-Yeop Son **Regional Director** UN DCO Europe and Central Asia

#### Introduction to Article 6 of the Paris Agreement

•Mr. Perumal Arumugam Manager Mitigation Division UN Climate Change

#### The role of Carbon Markets under Article 6

•Mr. Jens Radschinski Article 6 and Carbon Pricing Expert RCC for Asia and the Pacific

#### **Opportunities for Countries and UNFCCC support through RCCs**

•Mr. Umamaheswaran Krishnan Article 6 and Carbon Pricing Expert RCC Middle East and North Africa, and South Asia

#### Introducing the role of the RCCs in providing Capacity Development

•Mr. Andrea Camponogara Global Lead - Regional Collaboration Centres **UN Climate Change** 

#### Moderated Discussion

#### **Closing Remarks**

•Mr. Taimur Ali Khan Gandapur Manager Mitigation Division **UN Climate Change** 

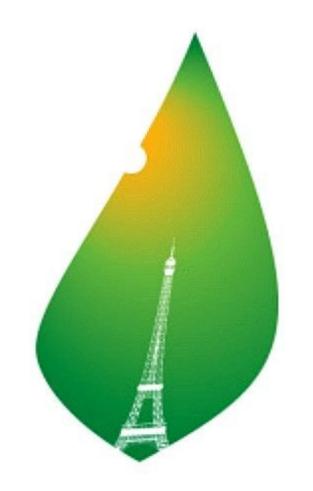
## Introduction to Article 6 & Key Milestones Achieved



**Mr. Perumal Arumugam** Manager Mitigation Division



United Nations Climate Change



PARIS2015 UN CLIMATE CHANGE CONFERENCE COP21.CMP11 Article 6 of the Paris Agreement lays down the foundation for cooperative approaches among countries to achieve their nationally determined contributions (NDCs) to carbon reduction.

- To incentivize and facilitate participation in the mitigation of greenhouse gas emissions by public and private entities authorized by a Party;
- Enhance public and private sector participation in the implementation of nationally determined contributions; and
- Agreeing to uphold and promote regional and international cooperation in order to mobilize stronger and more ambitious climate action by all Parties and non-Party stakeholders, including civil society, the private sector, financial institutions, cities and other subnational authorities, local communities and indigenous peoples, (Decision 1/CP.21)

## **Unpacking Article 6**

Article 6 of the Paris Agreement aims to promote voluntary cooperation among countries to achieve their national climate goals, enhance cost-effectiveness, and support sustainable development.

#### **ARTICLE 6.2**

#### ARTICLE 6.4

Facilitates cooperation between parties through internationally transferred mitigation outcomes (ITMOs).

This allows countries to meet their nationally determined contributions (NDCs) by using emissions reductions achieved internationally. Establishes a mechanism to contribute to the mitigation of greenhouse gas emissions and support sustainable development.

This mechanism is supervised by a central body and aims to assist parties in meeting their NDCs through emission reductions approved by the mechanism.

#### **ARTICLE 6.8**

Focuses on non-market approaches to enhance cooperation.

It supports sustainable development and environmental integrity through frameworks that encourage voluntary cooperation among parties.

#### ARTICLE 6.2

Facilitates cooperation between parties through internationally transferred mitigation outcomes (ITMOs).



This allows countries to meet their nationally determined contributions (NDCs) by using emissions reductions achieved internationally.

## Article 6.2 Transfer of ITMOs

 Bilateral Cooperation between Countries

 Host Country 1
 Host Country 2

 Image: Cooperation of the second level
 Image: Cooperation of the second level

 Image: Cooperation of the second level
 Image: Cooperation of the second level

#### **ARTICLE 6.4**

Establishes a mechanism to contribute to the mitigation of greenhouse gas emissions and support sustainable development.

This mechanism is supervised by a central body and aims to assist parties in meeting their NDCs through emission reductions approved by the mechanism.

#### **Issuance of** Article 6 Emission Reduction **units** (A6.4ERs)

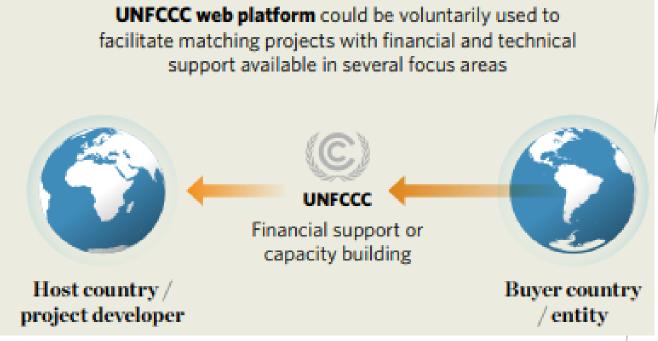
## Article 6.4 UNFCCC Supervisory Body Entity in a Host Entity in a Host Party 2 Party 1 \$ / Tech Support A6.4 ERs Activity Level

#### **ARTICLE 6.8**

Focuses on non-market approaches to enhance cooperation.



It supports sustainable development and environmental integrity through frameworks that encourage voluntary cooperation among parties. **<u>No transfer of units</u>** – **only support** (technical, financial, capacity building)



Infographic Source: The Nature Conservatory

## Art.6.2 work plan 2024



#### **Review of submitted reports by countries and its functions:**

• Nominations , training, assessment, centralized review.

#### Infrastructure :

#### AEF/Database

- Information to be submitted by countries annually in determines format.
- Consistency checks and publish consistency check reports

#### Centralized accounting and reporting platform CARP:

- Assign CA ID , Manual for Article 6.
- International Registry/RSA
- Develop standards( "Interoperability" "common nomenclature", data exchange and communication protocols.

#### Introduction to the PACM and MCUs

• **The Paris Agreement Crediting Mechanism (PACM)** is the new centralized UNFCCC baseline-and-credits mechanism for public and private sector actors:

The mechanism shall aim to:



Promote the **mitigation** of GHG emissions while fostering **sustainable development** 



Contribute to the reduction of emission levels in the host Party, which will benefit from mitigation activities resulting in emission reductions that can also be used by another Party to fulfil its NDC



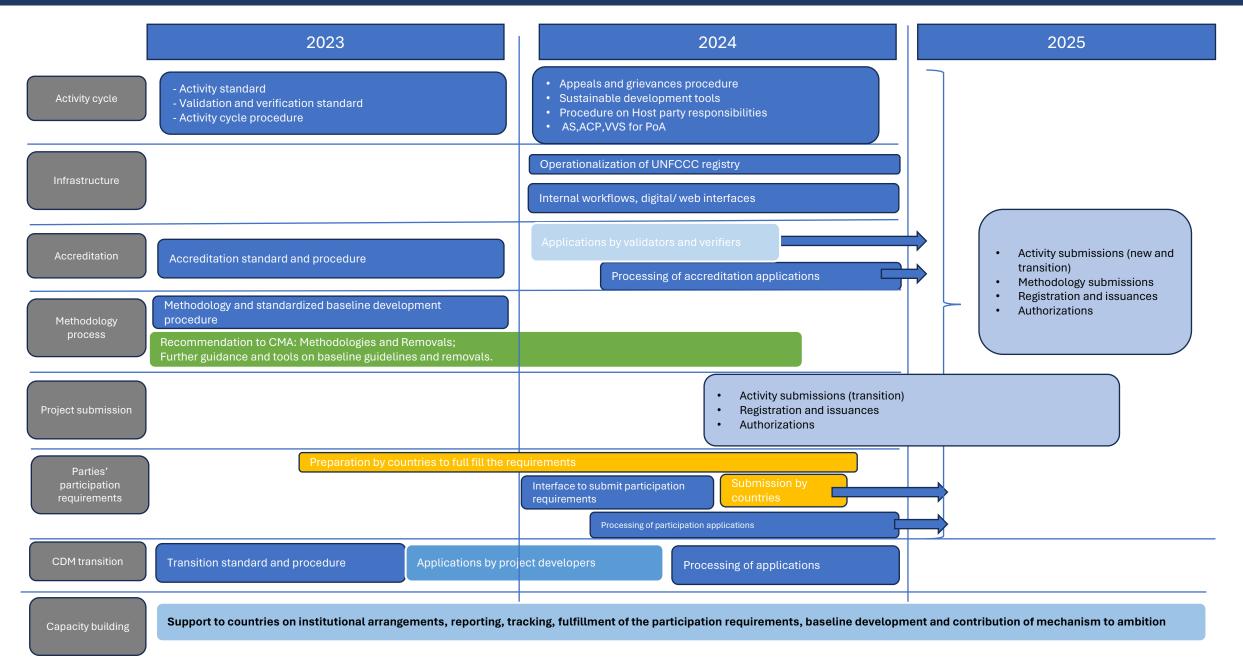
Incentivize and facilitate participation in the mitigation of GHG by public and private entities authorized by a Party



To deliver an **overall mitigation in global emissions** 

- Registered activities issue A6.4ERs, which come in two types:
  - Authorized emission reductions (AERs): Authorized for use towards NDCs or for other international mitigation purposes.
  - Mitigation contribution units (MCUs): Non-authorized units.

#### **PACM** Implementation – Where we are and what's next



## **UNFCCC Secretariat's work in support of Art. 6**

Develop Guidelines, Code of Conduct, Modalities and Processes

Conduct baselines

Develop methodologies and standards

Developing a Mechanical registry

Support to parties, DNA

**Capacity Building** 

Support to Parties and Stakeholders of the COP/CMA



## **Carbon Markets in the context of Article 6**



Jens Radschinski

Regional Expert on Article 6 and Carbon Pricing RCC Asia and the Pacific



## What are carbon markets and how do they work?



- Carbon markets are transaction of carbon credits that are sold and bought 
   *→* Emission Trading
- One tradable carbon credit equals one tonne of carbon dioxide or the equivalent amount of a different greenhouse gas reduced or removed, (1tCO2e).
- Carbon finance will be key for the implementation of the NDCs, and the Paris Agreement enables the use of such market mechanisms through Article 6.
- Around the world, interest in carbon markets is growing <u>83</u> percent of NDCs state the intent to make use of international market mechanisms to reduce greenhouse gas emissions.

## What is the purpose of carbon markets?

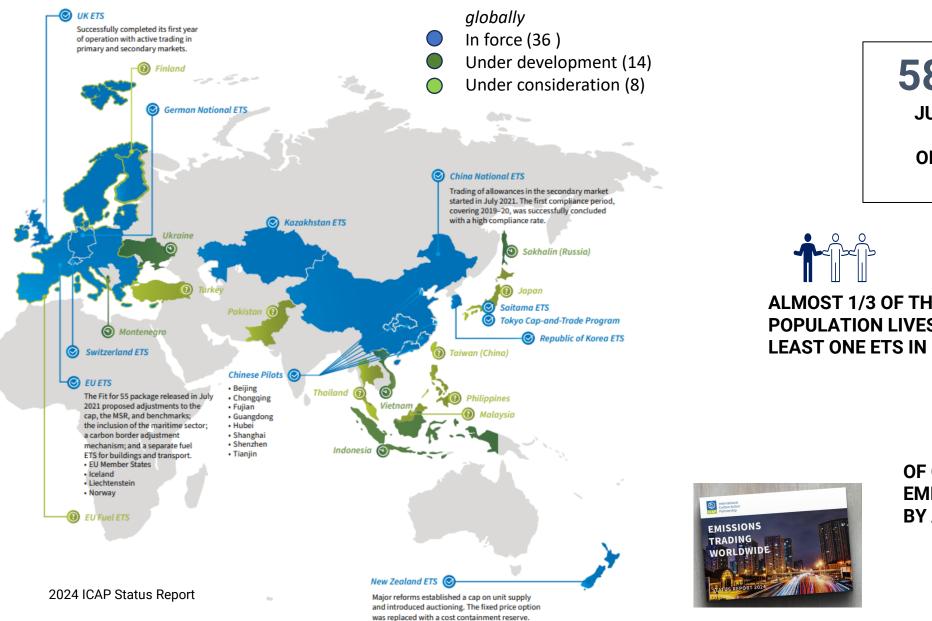


• In a nutshell:

Carbon markets enable entities (state and non-state actors) to increase their mitigation action by funding emission cuts outside their own scope

- This is done by **funding mitigation action** and **receiving carbon credits** for the results achieved (tCO2e avoided or removed from the atmosphere)
  - <u>Parties</u> can be more ambitious than just their domestic mitigation by funding mitigation action abroad. E.g.: Party A funds emission reductions in Party B and received ITMOs for the results achieve which it can count towards its NDC
  - <u>Non-State actors</u> can be more ambitious than just the mitigation action in their own value chain and make a contribution to additional mitigation by acquiring and retiring carbon credits (= voluntary carbon market)
- Carbon markets are no substitute for but a complement to mitigation action in the own scope controlled

## What are carbon markets and how do they work? - EMISSIONS TRADING



**58%** JURISDICTIONS MAKING UP 55 % **OF GLOBAL GDP ARE USING EMISSIONS TRADING** 

ALMOST 1/3 OF THE GLOBAL **POPULATION LIVES UNDER AT** LEAST ONE ETS IN FORCE

> **OF GLOBAL GHG EMISSIONS ARE COVERED BY AN ETS**

17%

CO

#### Voluntary market

For making additional contributions to mitigation action

Motivation = going beyond cuts in own emissions

**Buyers** = corporates / individuals

Units: voluntary credits

Self-regulations – codes of best practice emerging

Domestic compliance market

For achieving NDCs domestically

Motivation = compliance with mandated pricing instrument (carbon tax, ETS, etc.)

**Buyers** = compliance entities (corporates)

Units: emission allowances & offset credits

Domestic or sectoral regulations

Article 6 Market

For achieving NDCs cooperatively

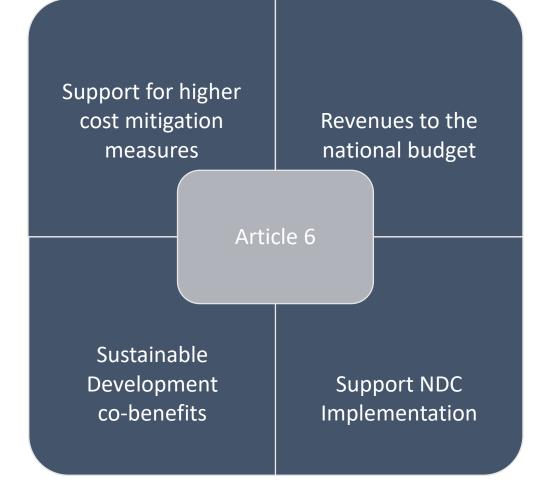
Motivation = to increase NDC ambition / achieve NDCs more flexibly

**Buyers** = Parties

Units: Internationally Transferred Mitigation Outcomes (ITMOs)

International oversight / rules

## What are the main benefits for participating in Art. 6.4 activities?



- Highest level of international **recognition** through multilateral governance/oversight
- Established **centrally and accessible** to all: may make the need for a domestic crediting scheme redundant
- Art. 6.4 registry: no need for establishing an own national registry
- Strong provisions regarding integrity, sustainable development, and stakeholder input
- Possibility to issue either:

(i) Authorized A6.4 Emissions Reductions (ERs), or

(ii) Mitigation Contribution Units (MCUs)

### Financial Requirements for NDC Implementation



- Significant financial investment is needed for the world to meet the goals of the Paris Agreement and 2030 Agenda.
   Current estimates show that countries collectively need at least USD 5.8-5.9 trillion to deliver their Nationally Determined Contributions (NDCs).
- Globally, we need between US\$ 3.5 to 5 trillion annually to meet the SDGs.
- Article 6 allows countries to cooperate on emissions reductions through carbon markets.
- International cooperation through carbon markets could significantly reduce NDC compliance costs, i.e. \$250 billion annually by 2030, and could exceed USD 1 trillion by 2050. (IETA & University of Maryland).
- **Conversely:** for the same cost, higher ambition is possible using international cooperation

## Why does all this matter?



- Article 6 is an important part of the **world's "toolbox"** for addressing climate change
- Article 6 is the only part of the PA that directly engages the business and private investment sector in directly implementable activities in which they can invest
- There is strong real-world potential for cooperative action shown by existing pilot Article 6 projects, with the UN decisions in Glasgow understanding the overall impact of cooperative action on global mitigation is facilitated
- Many similar tools are being increasingly deployed at domestic, regional, and bilateral levels.
- Centralized mechanism helps in ensuring broader accessibility of the market.

## **Opportunities for countries and UNFCCC support through RCCs**





**Umamaheswaran Krishnan** Regional Expert on Article 6 and Carbon Pricing RCC MENA and South Asia



RCC MENA and South Asia Collaboration for Climate Action

## Article 6 is still being operationalized



- Article 6 is not yet fully operational, but some projects are in the agreement phase, especially regarding bilateral cooperation under Art. 6.2.
- National Article 6 strategies and criteria should be developed in parallel with NDC implementation planning
- Understanding the interlinkages between Article 6 cooperation and host country NDC implementation is crucial for ensuring that Article 6 cooperation contributes to-and does not undermine-the implementation of NDCs or the long-term goals of the Paris Agreement.
- Art.6 Capacity Building is needed and ongoing

## NDCs and Art 6 Engagement in the Europe and Central Asia Region



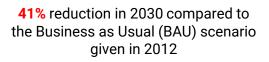






to **reduce** greenhouse gas emissions by **40%** compared to **1990** (base year) level by **2050**  At least **35%** reduction in total national GHG emissions by by 2030 compared to 1990 levels

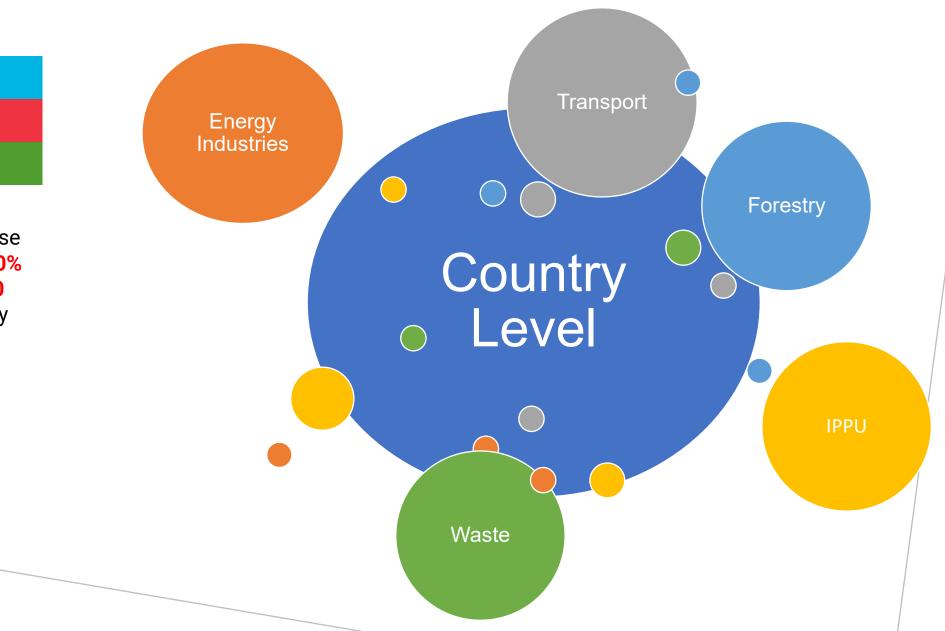
Reduction of GHG emissions by 25% by the end of 2030 relative to 1990



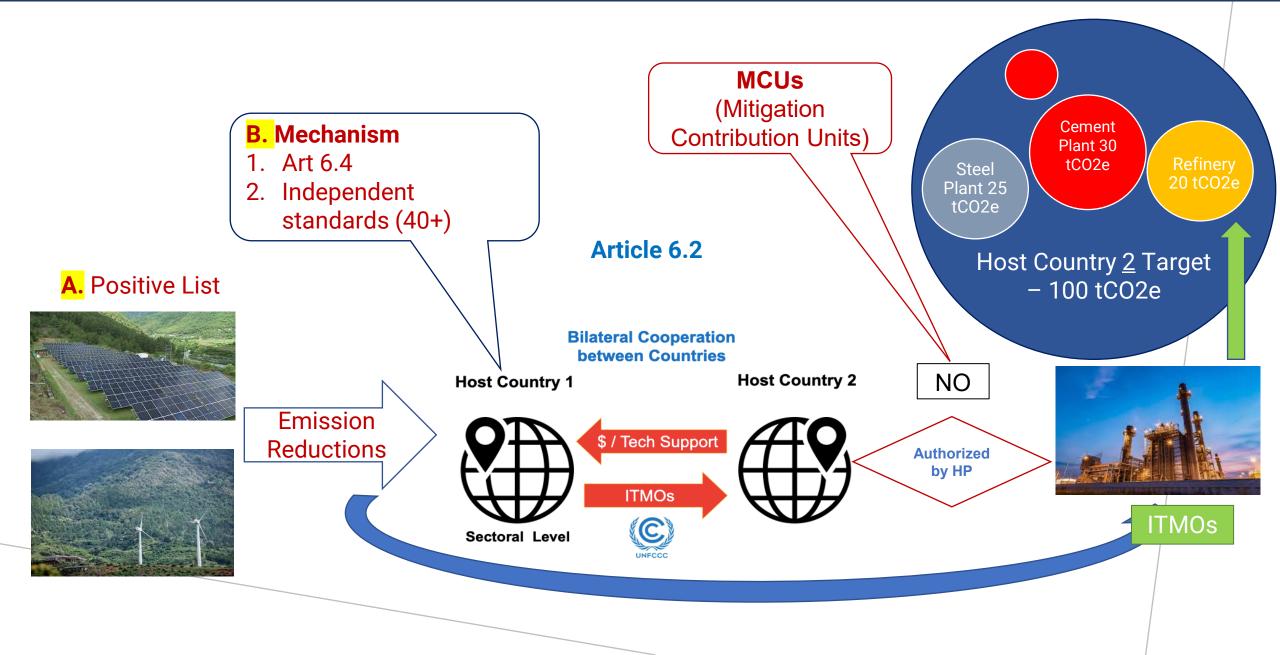
## NDC Targets



to **reduce** greenhouse gas emissions by **40%** compared to **1990** (base year) level by **2050** 

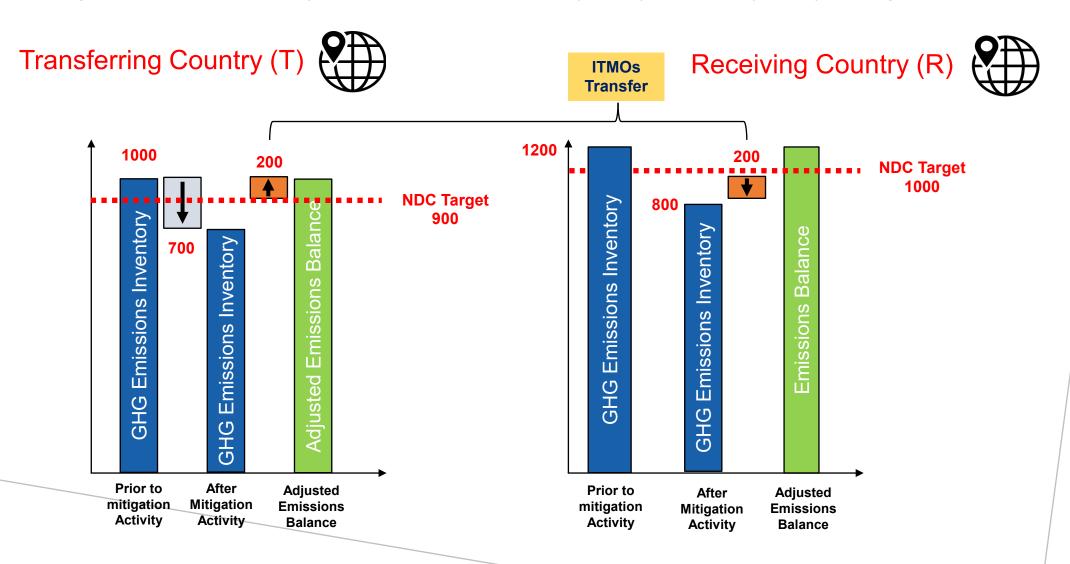


## **Article 6 – Host Countries' Private Sector**



## **Article 6.2 - Key Concepts**

**Corresponding adjustments -** countries' emissions levels, as reported when they track the progress towards achieving the NDC, should be adjusted to reflect the transfer (export) or receipt (import) of mitigation outcomes



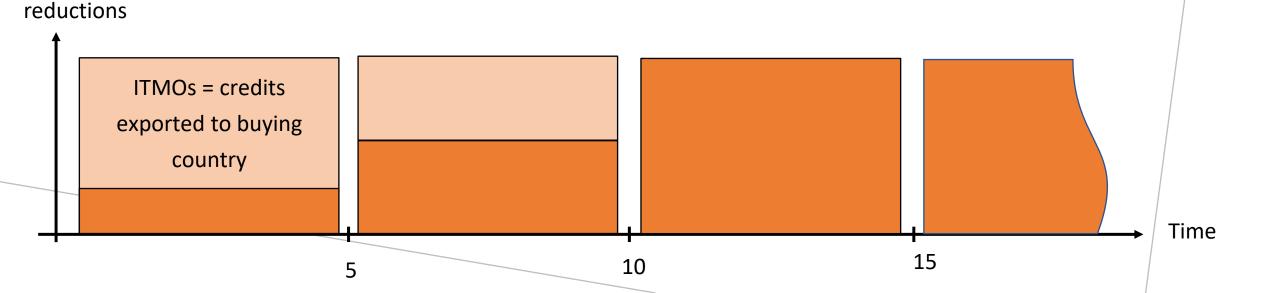
## **Article 6.2 – Benefit sharing examples**

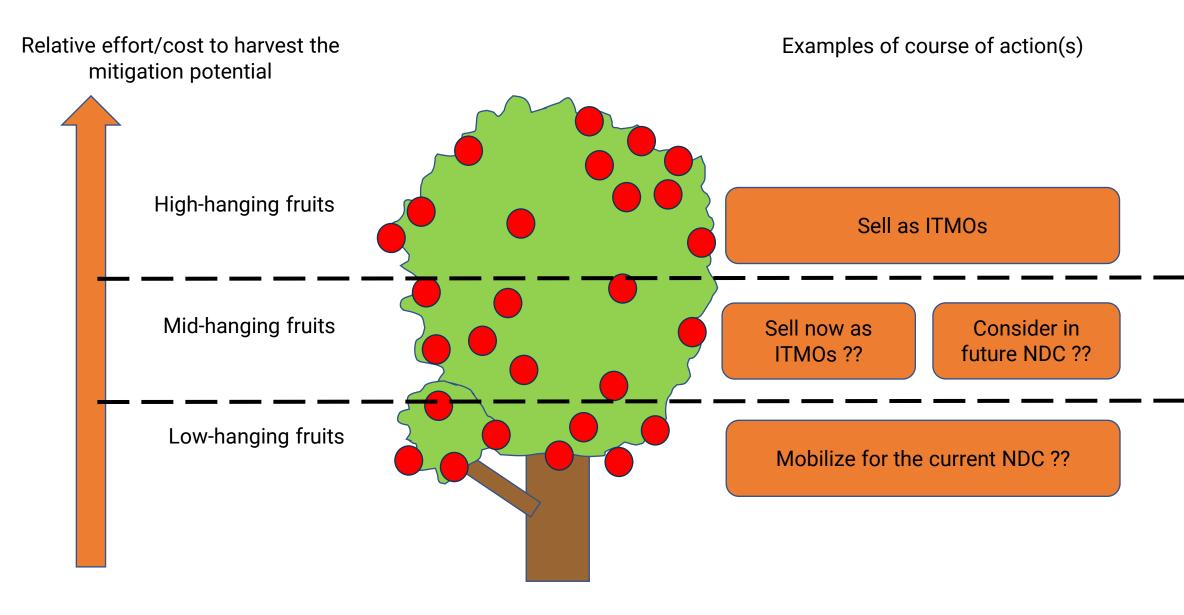


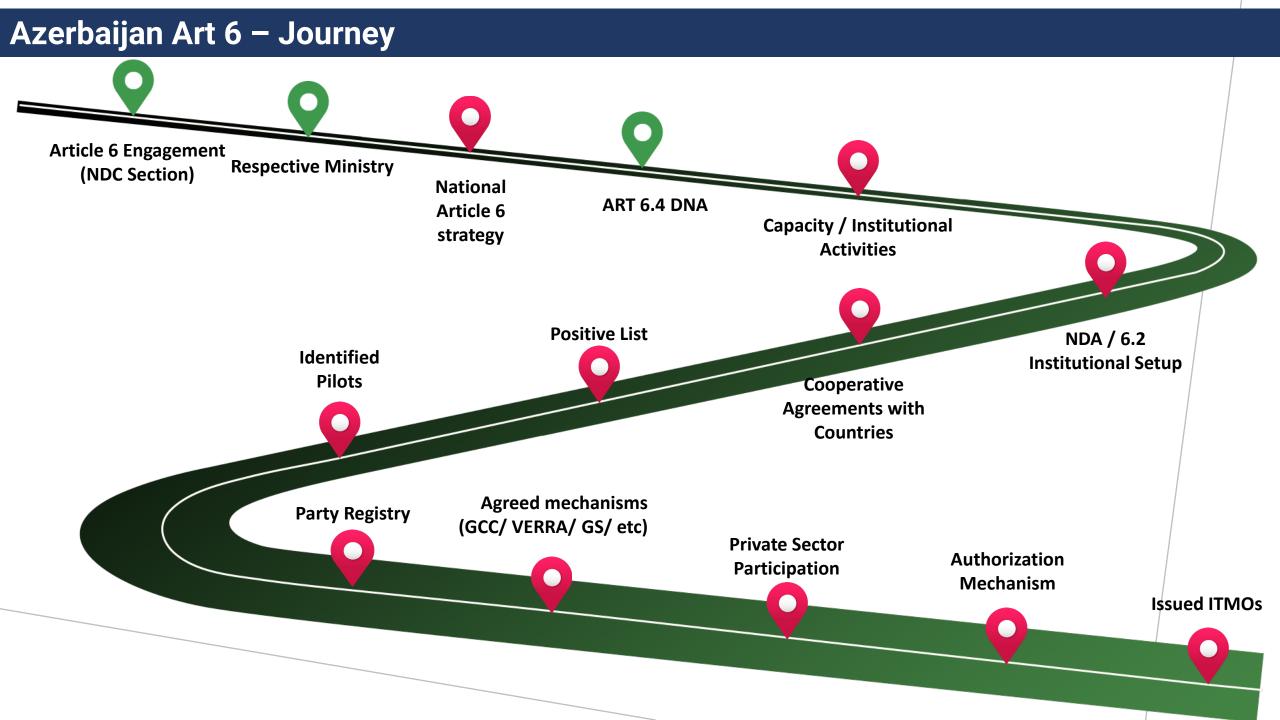
Emission

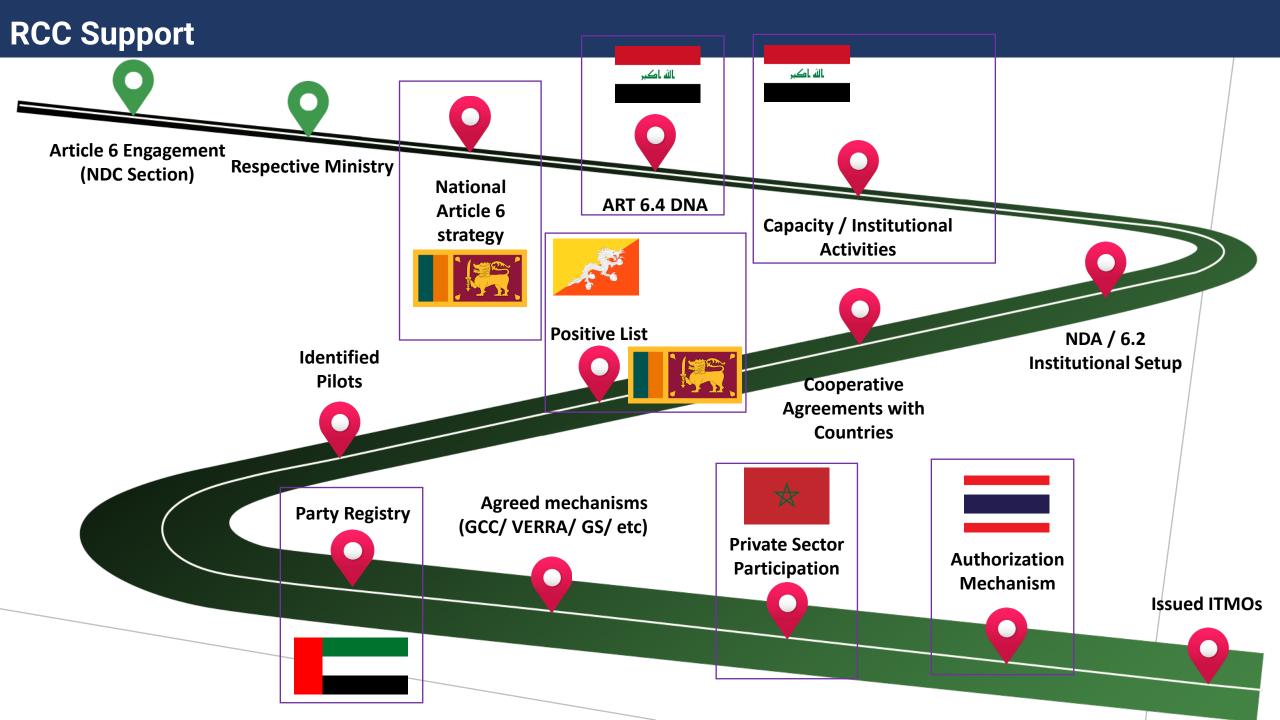
Country A funds a carbon project to cut emissions through a windfarm in host country B

- In the first 5 years crediting period, 75% of mitigation outcomes are sold to country A; the 25% remaining contribute to the host country NDC
- In the next 5 years, the sharing of outcomes reaches 50%
- Afterwards, all emission reductions are for host country B to claim against its NDC









At COP27, the secretariat launched the work programme on capacity building for Article 6.\*

Between June 2023 and now, a total of 50+ capacity building activities were undertaken (conferences, workshop, Webinar, Forum, Panel..etc).

The stakeholders ranges from NFPs, DNAs, Academia, Private Sector, to Civil Societies - NGOs.

Scope and form of CB Engagements:

\* Capacity building at national and regional levels, and Technical support on Article 6 Readiness, Article 6 strategy/framework development, project/program development under Article 6 and CDM Transition.



## 2024 RCC-AP Art.6 and CIACA work

### Support the implementation of PA Article 6

In-country support on Art 6	<ul> <li>in-country workshops, training and /or webinars; - the activities will be further defined in collaboration with the countries</li> </ul>
Regional workshops for Article 6	<ul> <li>The topics for the workshops will be of regional focus and will be selected through surveys and exchanges with countries and partners.</li> </ul>
In-country studies on the implementation of Art 6	• Support the development of baseline and methodology for key sectors, e.g. country studies on the baseline for the agriculture sector and/or forests
Series of webinars for PPs to support Art.6 participation for DNAs to prepare for trainings	<ul> <li>organization of a series of webinars for PPs to support their participation in A6.4</li> <li>organization of a series of webinars preparing DNAs for further trainings, on relevant topics</li> </ul>
Regional support for new activities entering the A6.4 pipeline	<ul> <li>Countries without DNAs: follow up on the status of participation requirement and plans to nominate an entity and support the process</li> </ul>

#### Support the implementation of the CIACA initiative - Country support

Provide support to countries via:

- Research work and publication of a study, and/or a Capacity Building workshop
- Kazakhstan expressed interest in a Regional Carbon pricing approach; a study could assess the ETS and lessons learned from Kazakhstan, shared with other Central Asian States

## **Opportunities for countries and UNFCCC support through RCCs**





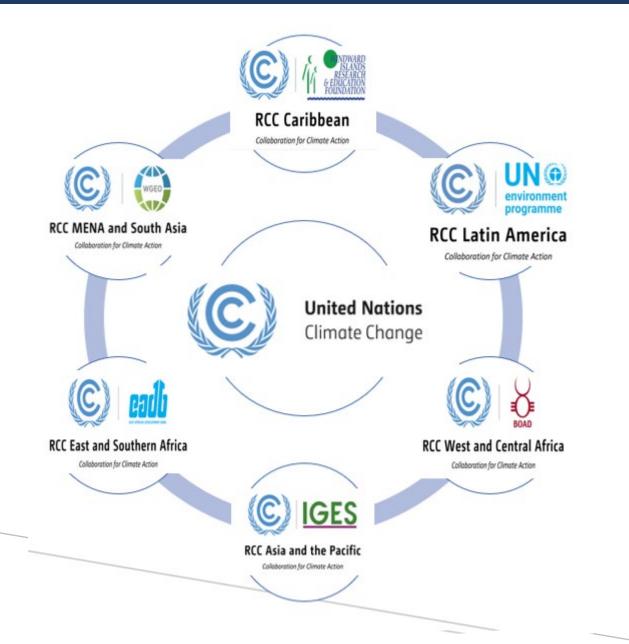
Andrea Camponogara

Global Lead – Regional Collaboration Centres Mitigation Division



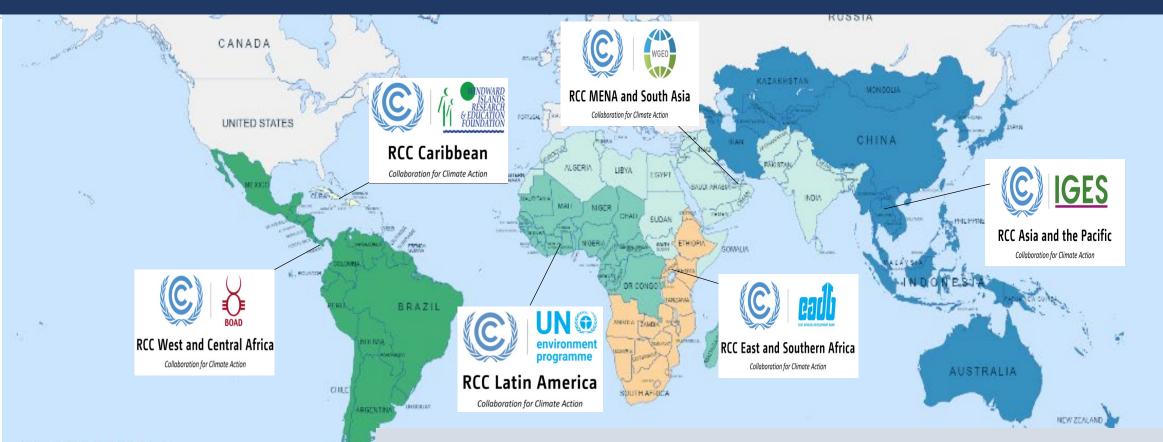
United Nations Climate Change

## What do the Regional Collaboration Centres (RCC) do?



- First point of contact in the regions for Parties and Non-Party Stakeholders as well as channel regional perspective/needs to UNFCCC process
- Understanding specific/regional needs and where matching solutions exist
- Facilitating the provision of (technical) support to Parties to the Paris Agreement and non-party stakeholders to meet their commitments and take full advantage of opportunities to implement

## The UNFCCC Regional Collaboration Centres Network

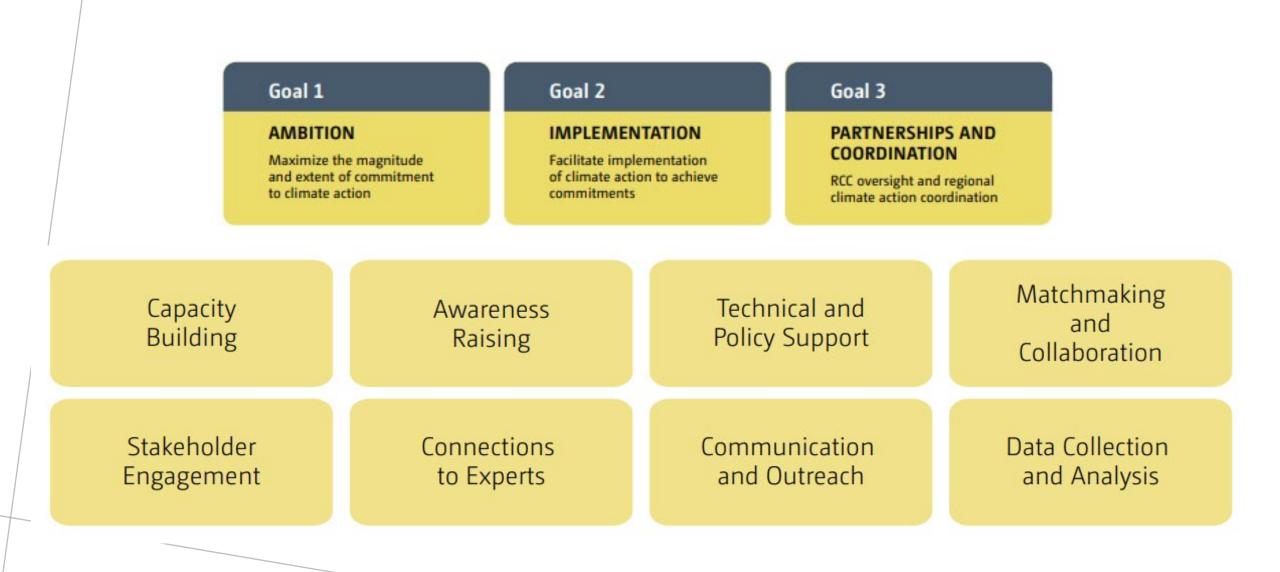


- UNFCCC RCCs
- RCC MENA and South Asia
   RCC Latin America
   RCC Caribbean
   RCC Asia and the Pacific
   RCC East and Southern Africa

RCC West and Central Africa

- RCC Asia-Pacific supports 40 countries from Asia and the Pacific (Hosted by IGES)
- **RCC MENA-South Asia** supports 22 Arab States and 8 South Asian countries (Hosted by WGEO)
- RCC East Africa supports 19 countries in Eastern and Southern Africa (Hosted by EADB)
- RCC West Africa supports 26 countries in15 ECOWAS member states and 11 francophone countries (Hosted by BOAD)
- RCC Latin America provides support to 17 Latin American countries (Hosted by UNEP)
- RCC Caribbean supports 16 countries in the Caribbean region (Hosted by WINDREF)

## **Goals & Scope of RCC's Engagements**



## Article 6 Capacity Building Programme (CMA.3 decisions)

**Article 6.2 – Capacity Building Programme including through RCCs in consultation with Parties** 

- Support the development of institutional arrangements, including reporting
- Help Parties ensure that cooperative approaches support ambition;
- Assist the LDCs and SIDs in meeting the participation requirement

#### Article 6.4 – Capacity Building Programme including RCC in consultation with 6.4 SB and Parties

- Establish then necessary institutional arrangements to implement the requirement
- Develop the technical capacity to design and set baselines for application in host Parties;
- Capacity-building in development countries to apply the Article 6.4 mechanism, and support for the transition

# Discussion

## **Closing Remarks**



#### Mr. Muhammad Taimur Ali Khan Gandapur

Manager, Mitigation Division

**UN Climate Change** 



United Nations Climate Change

## **THANK YOU**



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**RCC Asia and the Pacific** 



Collaboration for Climate Action



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