



# Regional Climate Week

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# Latin America and the Caribbean

Panama City, Panama – 23-27 October 2023



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# Recap of Day 02



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# 35 min - Recap of Day 02: Group Activity

1. Create a team with your board members.
2. **Team Discussion (15 min):**
  - ✓ Brainstorm and write down the most significant highlights of the Day 02:
    - **Top 3:** New concepts that I learned
    - **Top 3:** Key concepts to remember.
    - **Top 3:** Challenging Concepts.
  - ✓ Use cardboards and markers to keep track of these highlights for all to see.
3. **Reporting (3 min):** Each team presents their Top 3 highlights to the entire group.



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# Agenda of the Day: Wednesday, October 25<sup>th</sup>, 2023

Hora	Tema
09:30 – 10:00	<b>Session 1: Introduction to Article 6.4</b>
10:00 – 10:30	<b>Session 2: Accounting Implication on Article 6.4</b> <b>Activity: Group Discussion</b>
10:30 – 11:00	<b>Coffee Break</b>
11:00 – 12:30	<b>Session 4: Participation Requirements.</b> <b>Activity: Countries Interventions</b>
12:30 – 14:00	<b>LUNCH</b>
14:00 – 15:30	<b>Session 4a: New or changed elements compared to CDM.</b>
15:30 – 16:00	<b>Coffee Break</b>
16:00 – 16:30	<b>Session 4b: Comparing Article 6.4 with CDM.</b>
16:30 – 17:30	<b>Session 5: Detailed Process of Approval and Authorization of A6.4 ERs.</b>
17:30 – 18:00	<b>Kahoot Session and Closing</b>



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# Introduction to Article 6.4



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# Article 6: Global Mitigation Tool Market Mechanisms

- Article 6 is the only part of the Paris Agreement that **directly engages the parties and private sector to implement activities** aiming at emission reductions.
- Article 6 is an important part of the world’s “toolbox” for addressing climate change... with detailed **negotiations are evolving and many decisions are underway.**
- Many similar tools are being increasingly deployed at domestic, regional and bilateral level...

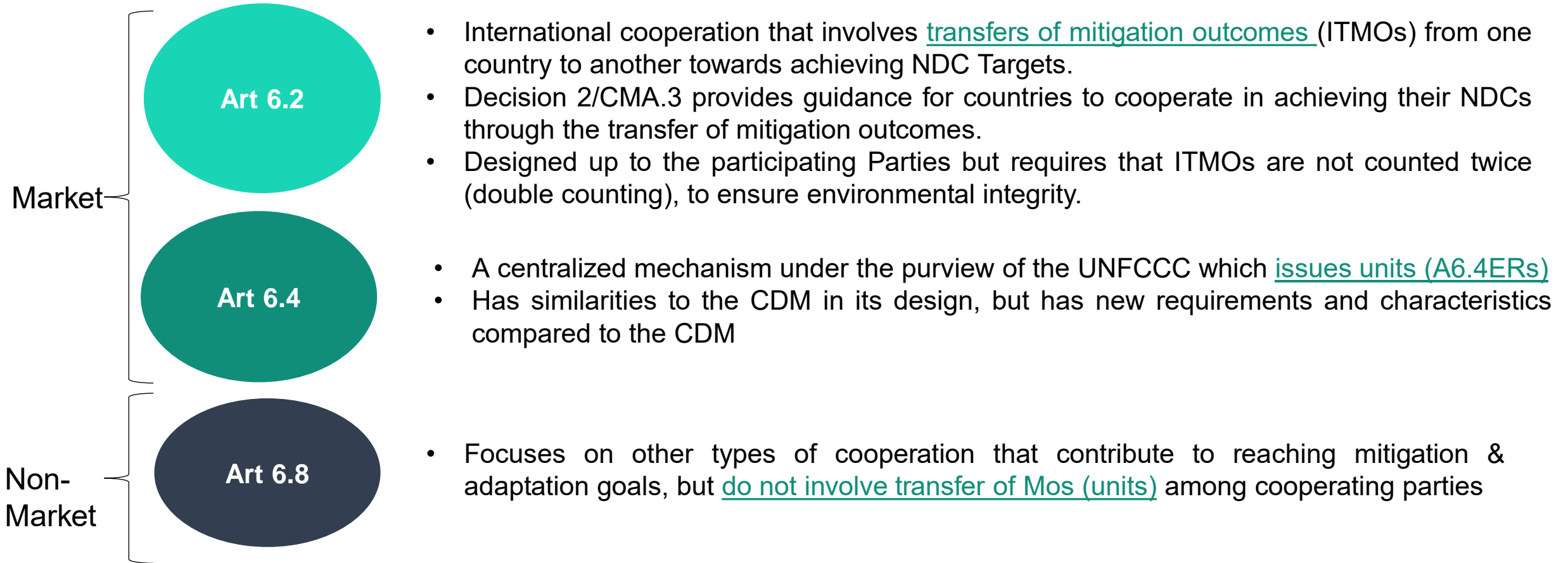


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# Understanding Article 6 (6.2, 6.4, 6.8)

**Article 6 of the Paris Agreement:** tool to implement NDC and LT LEDs under voluntary cooperation between parties



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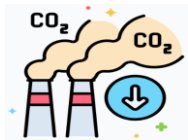
# What is the Article 6.4 mechanism?

The new centralized UNFCCC baseline-and-credits mechanism (replacing CDM/JI)



“A mechanism to contribute to the **mitigation of greenhouse gas emissions** and **support sustainable development** is hereby established under the authority and guidance of the CMA for use by Parties on a voluntary basis”  
“It shall be **supervised by a body** designated by the CMA...”

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**.



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# What is the Article 6.4 mechanism?

- Article 6.4(b) of the Paris Agreement “**participation in the mitigation of greenhouse gas emissions (reduction/removals) by public and private entities authorized by a Party**”.
- Certificates from the Art 6.4 Activity: **A6.4 ERs**.
  - Can be Mitigation contribution units (**MCUs**)
  - Can be **authorized A6.4ERs**

## Art 6.4 Governance

- Supervisory Body (SB) reporting to CMA.
- National level: A6.4 DNA.



Entity in a Host Party 1



Entity in a Host Party 2

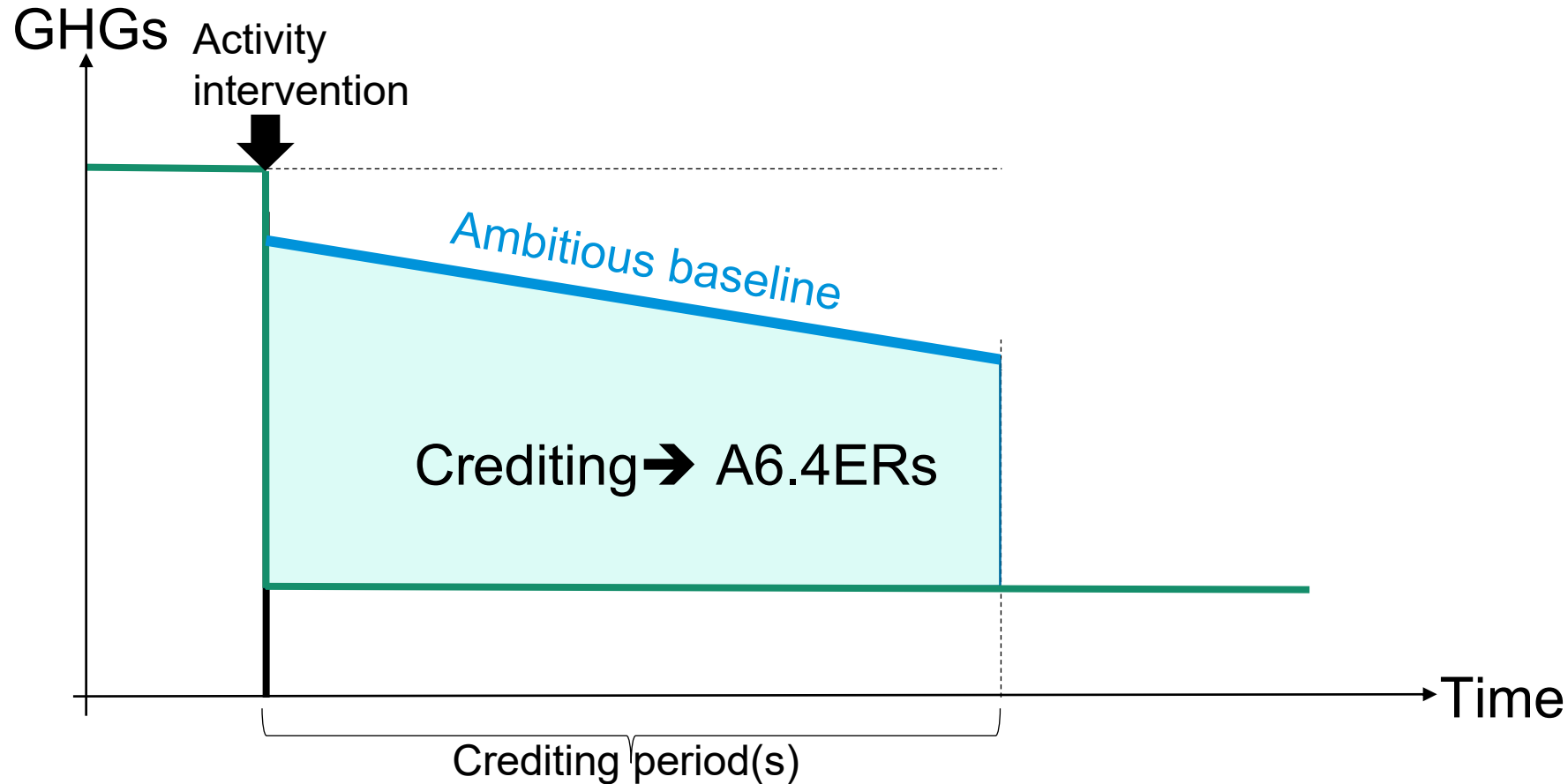


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# What is the Article 6.4 mechanism?

The new centralized UNFCCC baseline-and-credits mechanism (replacing CDM/JI)



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# Benefits of participation in Article 6.4

- All units generated under Article 6.4 go through a **centralized body** with **pre-approved methodologies**.
- Process and eligibility of these units are **more predictable**.
- Article 6.4 framework is an **update from the Kyoto Protocol's CDM**, so some countries could use an **updated version of already existing infrastructure to engage** e.g., use of previous domestic authorities to approve participation in CDM projects (designated national authorities - DNAs) and build on similar institutional frameworks for Article 6.4 trades.
- Article 6.4 mechanism allows **both market (A6.ERs trading) and non-market purposes (NDC achievement)**, depending on how the units are used.

Financing higher-cost mitigation measures

National budget revenues

Sustainable development co-benefits

NDC Implementation support



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# Benefits of participation in Article 6.4

- Highest level of international recognition through multilateral governance/oversight
- Established centrally and accessible to all: may make the need for 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 A6.4ERs or
  - (ii) Mitigation Contribution Units (MCUs)



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# Article 6.4 Mechanism Units



## Article 6.4 Units

**AUTHORIZED**

**NOT AUTHORIZED**

- Use towards another NDC
- OIMP
- Other Purpose

Accounting &  
Reporting  
Rules -> Same  
as Article 6.2



**A6.4ERs becomes  
ITMOs**

**Mitigation Contribution  
Units  
(MCUs)**



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# COMPARING ARTICLE 6.4 AND 6.2



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# Understanding cooperative approaches under Article 6

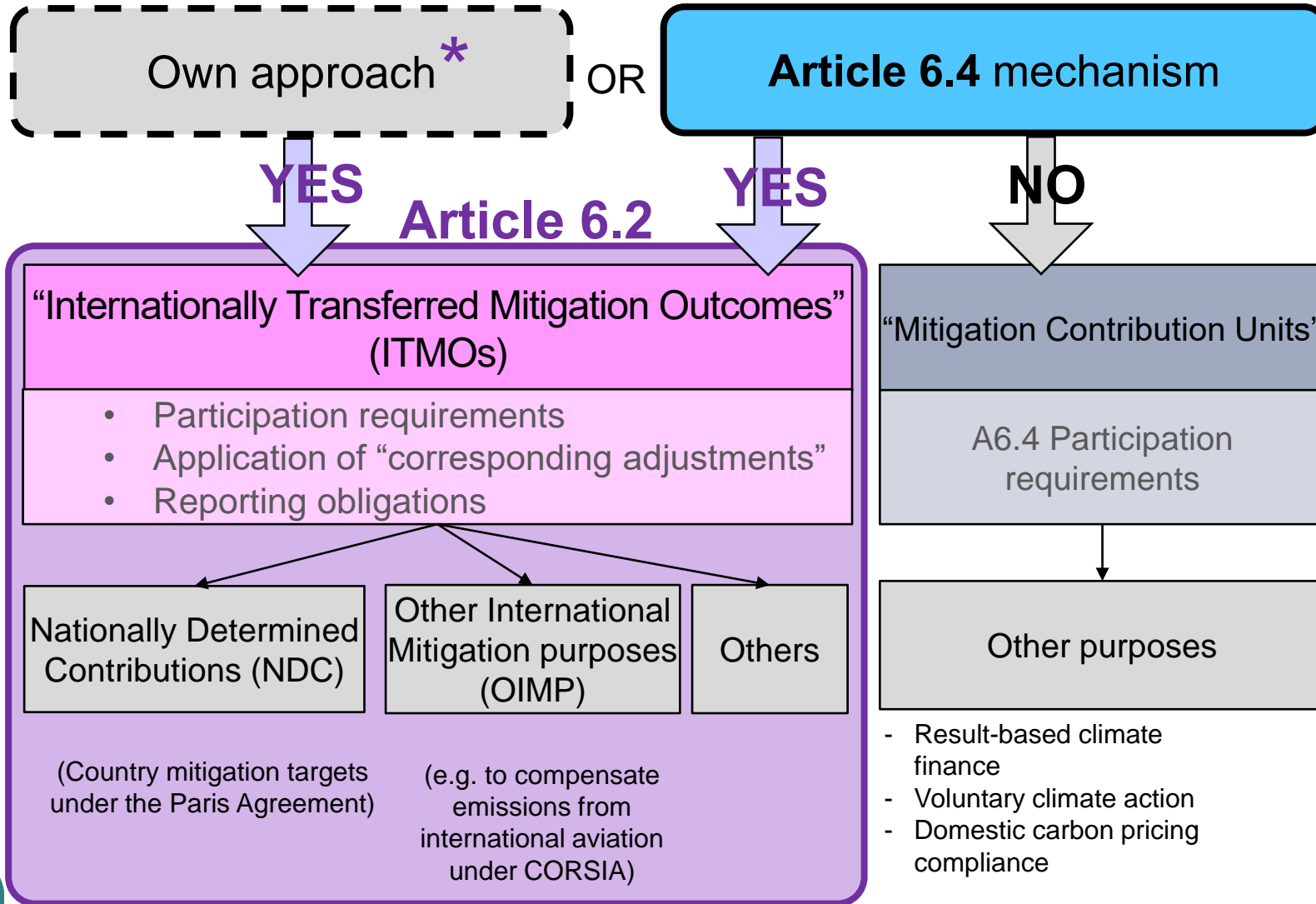
Creation of carbon units  
(e.g. carbon credits):

“Authorized\*” units?:

Type of units:

Requirements:

Use:



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\* Authorization of units under Article 6.2 of the Paris Agreement opens the right to transfer units from Party A to Party B for NDC use or for “other international mitigation purposes” – but it also creates obligations in terms of participation requirements, the application of “corresponding adjustments” and reporting obligations

# Article 6.2 and Article 6.4 Mechanism: Comparison

	Article 6.2	Article 6.4	
What it is	Approach for cooperative action	Mechanism	
Key action(s)	Authorization	Approval	
Key outcomes	ITMOS	A6.4ERs which can be either:	
		approved Authorized A6.4ERs (are ITMOs)	MCUs
Corresponding adjustments	Always	Authorized A6.4ERs: Yes	MCUs: no
Type of oversight	Reporting & Transparency	Multilateral governance	
Registry	International registry *	A6.4 registry (under development)	





# Article 6.2 and Article 6.4 Mechanism: Comparison

	Article 6.2	Article 6.4
Project approval	Free (own, independent mechanism, etc.)	A6.4 Supervisory Body
Baseline methodologies and additionality	Not specified – only high-level principles	As per A6.4 standards (WIP)
Crediting periods	Not specified	10 years fixed or 3 x 5 years or shorter CP specified by host country
Eligible projects	Emission reductions, removals	Emission reductions Removals under discussion
Share of proceeds for OMGE	Not mandated but encouraged	2%
Share of proceeds for adaptation	Not mandated but encouraged	5%



# Thank you for your attention!



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