



Federal Ministry for the
Environment, Nature Conservation
and Nuclear Safety

International market mechanisms

Article 6 of the Paris Agreement and
how India can benefit
from the upcoming carbon markets

Status of negotiations around Article 6 and Environmental Integrity

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What happened since Paris

- Since Paris negotiations performed very slow. After 3 SB sessions real progress is still missing.
- However the Roundtables at SB 46 in May might be considered as useful format also for SB 47 in November
 - Good exercise for involving more Parties into substantive discussions
 - A broad list of topics for the further negotiations has been identified, even if the status is informal.
 - However this list is incomplete and consensus does not exist on all items
 - If we are not able to accelerate the pace of negotiation, we are risking to bring the timeline of the Paris Rule Book.

Guiding questions to Session III

1. What are the details of the provisions under Article 6 of the Paris Agreement?
2. When will they come into effect?
3. Can existing certified emission reduction (CERs) be sold under the new market mechanisms?
4. How should India prepare itself and engage in order to benefit from the provisions of Article 6?
5. Does it have any implications for a domestic trading system (ETS)?
6. What can India do to shape the negotiation process on this topic?

What are the details of the provisions under Article 6 of the Paris Agreement?

Article 6.1 (No specification, umbrella function, role in PA)

- Ambition and NDC reference
- It is more than offsetting under the Kyoto Protocol

Article 6.2 (Guidance)

- ITMO

Article 6.4 (Rules, Modalities and Procedures)

- Up-scaled mechanisms, UNFCCC oversight, independent verification, private sector involvement

Article 6.5 (No double counting)

- Host countries should reflect, what is suitable for international trade)

Article 6.8 (Work program)

- Non-markets are still unclear. ABM (Uganda)

Environmental Integrity core element of Art. 6.2

Why? To fulfil the purpose of Art. 6 in the PA!

- Ambition raising beyond existing NDC
- Voluntary use of co-operative approaches (transferring and acquiring party)

What? Not all could be accounted!

- Achieved emission reductions towards the NDC by Art. 6
- Question: Only Art. 6 or also for other co-operations on the basis of PA or outside PA (CORSIJA)

How? NDCs need to be quantified! (not in total)

- Registries; Corresponding adjustments to inventories
- Avoidance of double counting of emission rights

When will they come into effect?

- The Paris Agreement does not offer any anchor for a prompt start or a pilot phase for Article 6
- First assumption is then 01.01.2021 with the start of the 1st NDC cycle
- Second assumption is that it does not really matter for Article 6.2 und Article 6.8
- For both collaboration schemes the impact of the mitigation outcome is relevant
- However for Article 6.4 one needs the fully worked out set of rules and institutions already in function
- Therefore early CMA decisions are crucial and may build the basis for a further decision on prompt-starting Article 6.4



Can existing certified emission reduction (CERs) be sold under the new market mechanisms?

- The Paris Agreement wants to learn from the experiences of the flexible mechanisms of the Kyoto Protocol
- JI has shown that missing UNFCCC oversight leads to fatal results (exemptions among others France, Germany)
- CDM has also a lot of shortcomings, but CDM is still alive
- No automatic transition of the CDM
- EU wants a clear new start under the Paris Agreement
- We need the definition of the core elements of Article 6.4 to build a level playing field for mitigation activities
- Germany, together with Norway support the CDM transition initiative (Climate Focus, Koru Climate)



How should India prepare itself and engage in order to benefit from the provisions of Article 6?

UNFCCC level

- Stressing in negotiations to concentrate on items which are needed rather to engage in discussions on regulation in excess, which no one will accept at the end

Domestic level

- Example sustainable development:
India could prepare for cooperative approaches on mitigation outcomes in the area of SDGs
- Other example:
Standardized baselines could be developed to a feature within national policy programs and domestic policy instruments reflecting the NDC

Does it have any implications for a domestic trading system (ETS)?

Interesting case

- Actually the linking of domestic / regional ETS is under consideration
- Daily trading of allowances must happen outside Art. 6.2
- The mitigation outcome of an ETS is the CAP and not the allowances: this is basis for ITMO, if this is wanted
- India could analyse whether is useful to sell exceed mitigation outcomes, not needed to fulfil the NDC
- However it will be complicated to explain partner that they are not supporting business as usual activities
- Having established an ETS the linking with other system might be more reasonable

What can India do to shape the negotiation process on this topic?

- India has been the first big mover for starting the CDM
- India's economic dynamic is strong enough to profit from globalization and the broad use of Article 6 would facilitate the process on its path to decarbonisation
- India can already work now on the basis of its domestic climate policy on standardized baseline and benchmarks allowing for sharing certificates
- India could engage more in informal meetings with other negotiators
- And this not only true for India, but for all Parties considering the use of Article 6:
 - Concentrate on what is really needed at COP24.

Questions from today's morning sessions

- Are there differences between activities used for the different NDC parts (non conditional; conditional; non NDC coverage of emissions)
- Level playing field for methodologies used for climate finance and carbon markets
- Interlinkages of Article 6 mechanisms: relation between A 6.2 as a framework und A 6.4 as involvement of the private sector in order to fulfil the cooperative framework under A 6.2
- Cooperative approaches allow for well reflected mitigation measures, where support is needed; of course trying unilateral forward is possible but has economic risks



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Thank you !

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SBSTA 46 – Informal List of elements

The following information are taken from the UNFCCC Website

DISCLAIMER:

These do NOT represent agreed elements and many Parties are uncomfortable with some elements – this is NOT a structure for the Guidance

http://unfccc.int/meetings/bonn_may_2017/in-session/items/10276.php



Back up slides

- Informal list of elements of Article 6
- Flow chart on UNFCCC negotiation steps
- Launch of the CDM transition initiative at COP22



Article 6.2 – Informal List of Elements

- **Overarching issues, principles, considerations, context, criteria**
- **Definitions**
- **Scope and applicability of guidance for Article 6.2**
- **Governance**
- **Participation**
- **Internationally transferred mitigation outcomes in Article 6.2**
- **Robust accounting**
- **Ensuring environmental integrity**
- **Promoting sustainable development**
- **Transparency**
- **Infrastructure**
- **Limits and safeguards**
- **Interlinkages**
- **Share of proceeds**
- **Overall mitigation in global emissions**
- **Transitional issues**
- **Other**

Article 6.4 – Informal List of Elements

- **Overarching issues, principles, considerations, context, criteria**
- **Definitions**
- **Scope and applicability of rules, modalities and procedures for Article 6.4**
- **Governance**
- **Participation**
- **Scope of activities**
- **Aspects of activity**
- **Activity cycle**
- **Share of proceeds**
- **Overall mitigation in global emissions**
- **Limits and safeguards**
- **Infrastructure**
- **Transparency**
- **Accounting**
- **Interlinkages**
- **Transitional issues**
- **Other**



SBSTA 46 – Article 6.8 – Informal List of Elements

- **Overarching issues, principles, considerations, context, criteria**
- **NMAs under the framework**
- **Governance of the framework**
- **Participation**
- **Functions of the framework**
- **Work programme activities**
- **Modalities of work programme**
- **Transparency**
- **Interlinkages**
- **Other**



Co-facilitators' informal work plan – Where are we now?





The CDM still delivers mitigation outcomes

CDM Transition

Date: Tuesday, 15th November 10:00-11.00
Venue: German Exhibition Space (D 2)



The recognition of CDM institutions and registered CDM projects under the Paris Agreement is an open question, which is leaving project developers in limbo and not creating incentives for investments. Several Parties have called for a transition of CDM elements to the Article 6.4 of the Paris Agreement. The initiative will provide technical analysis of options and a platform for discussion for interested Parties.

Moderation Malin Ahlberg (BMUB)

Presentation of the Initiative Dr. Sandra Greiner (Climate Focus) and Andrew Howard (Koru Climate)

Discussants Thomas Forth (BMUB), Mandy Rambharos (South Africa)
Túlio Andrade (Brazil), Peer Stiansen (Norway]