

Transformative Design of Article 6 Programs

15 December 2020, 15.30 - 17.00 PM (CET), Google Meet

Setting the scene - Explaining the conceptual framework and providing a working definition of 'transformational change' for Article 6

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Outline

- Setting the scene - transformational change (TC) and Article 6
- The ICAT conceptual framework for understanding TC
- Working definition of transformation characteristics for Article 6

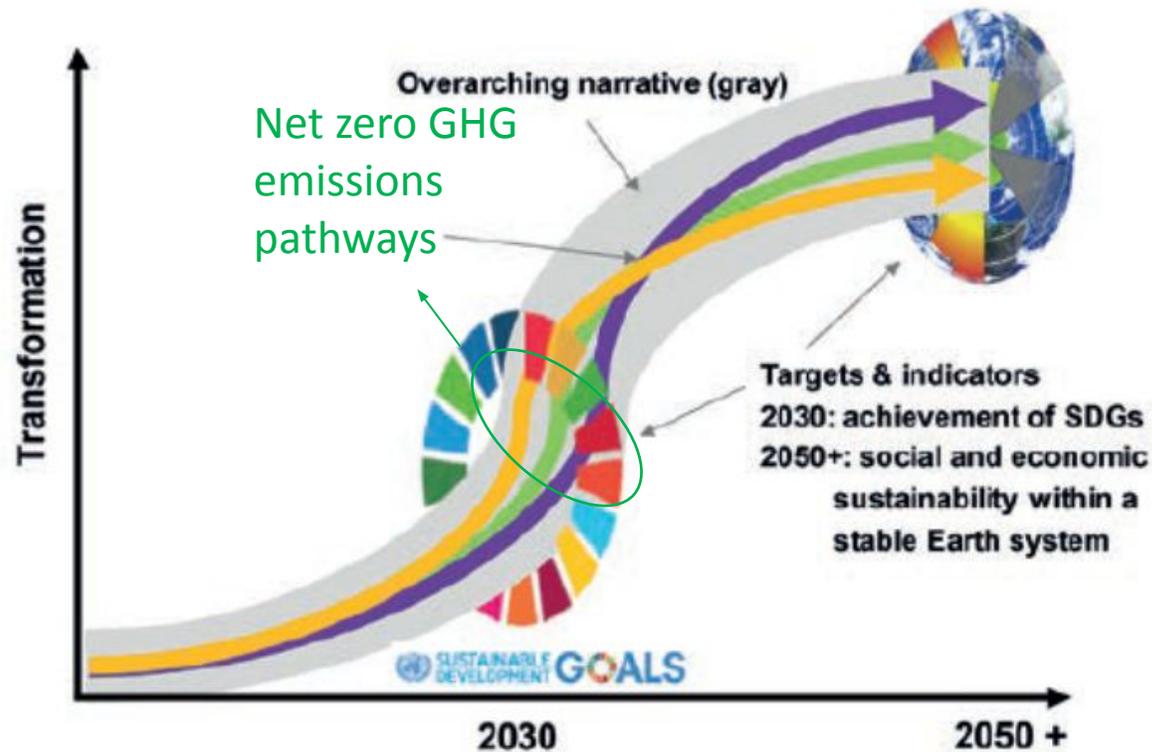
Setting the scene

Transformational change envisioned in the Paris Agreement and 2030 Agenda for sustainable development

- The Paris Agreement **long-term temperature goal** to hold the increase in the global average temperature below 2°C above pre-industrial level and pursue efforts to limit the temperature increase to 1.5°C
- IPCC SR1.5 (2018) and scientific literature on sustainability transition explain the **systemic, deep, rapid and society-wide transitions** necessary to achieve the global goals
- 'Transforming our world: 2030 Agenda for Sustainable Development' refers explicitly to the SDGs as universal, integrated and indivisible, an goal- and action oriented agenda that will transform the world for the better
- The **technology framework** provides overarching guidance to the two bodies of the Technology Mechanisms (TM, TEC & CTCN). The guidance recalls that the TM shall improve its effectiveness and efficiency by addressing *the transformational changes envisioned in the Paris Agreement* and the long-term vision for technology development and transfer.

Transformational change for the global goals

- how Article 6 can contribute to 'transformational impact', i.e. net zero by 2050 & SDGs



- The urgency of a transition towards sustainable development and net zero global greenhouse gas (GHG) emissions was underlined in the special report Global Warming of 1.5°C by the Intergovernmental Panel on Climate Change (IPCC, 2018).

Transformational change concept:



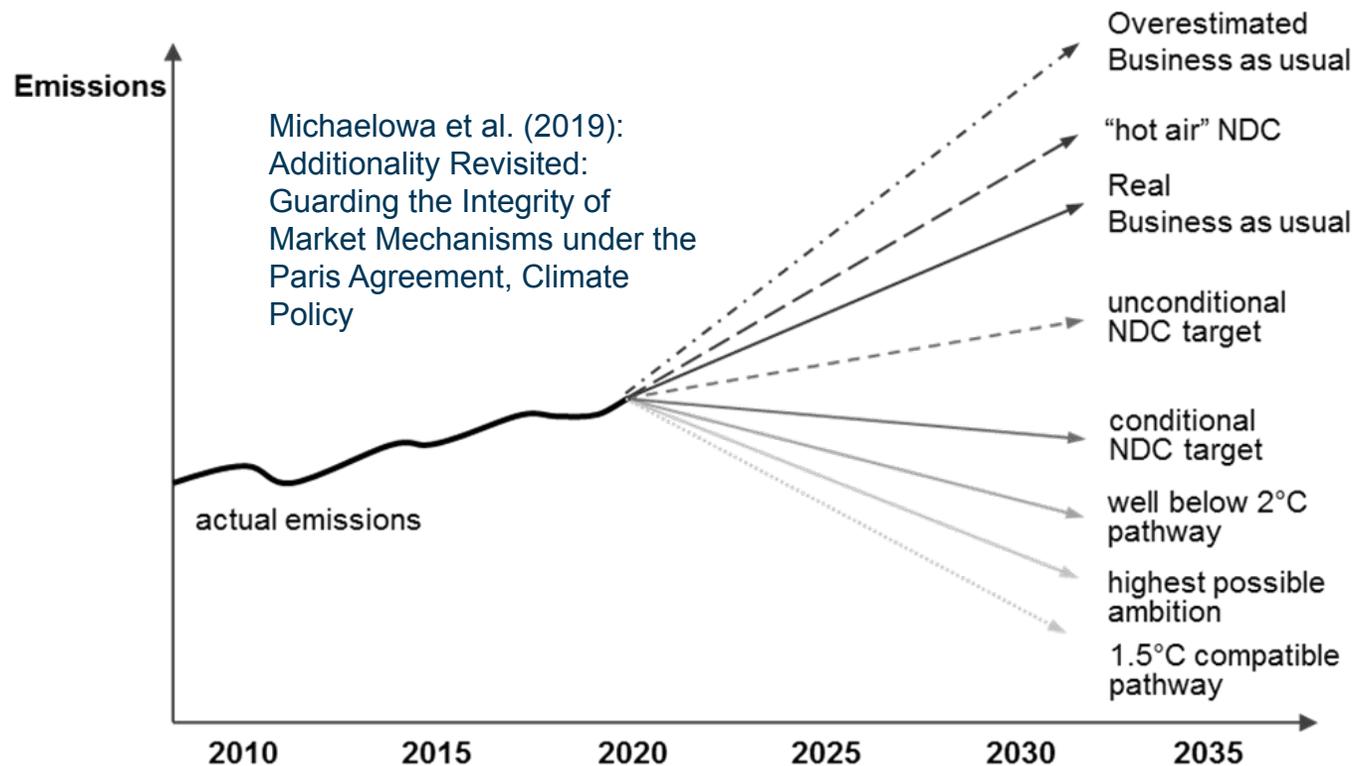
Source: Costa Rica



Source: TWI2050 - The World in 2050 (2018). Transformations to Achieve the Sustainable Development Goals. Report prepared by The World in 2050 initiative. International Institute for Applied Systems Analysis (IIASA), Laxenburg, Austria.

The A6 objective to allow NDC ambition raising

- *'Additionality'* and/or *'transformational impact'* assessment: Based on *'dynamic baselines'* for net zero pathways (long-term ambition aligned with Paris Agreement and 2030 Agenda global goals):



Questions:

- **Where to situate a "Paris Agreement"-compatible baseline?**
- **How to "downscale" national level baselines to activity level baselines?**

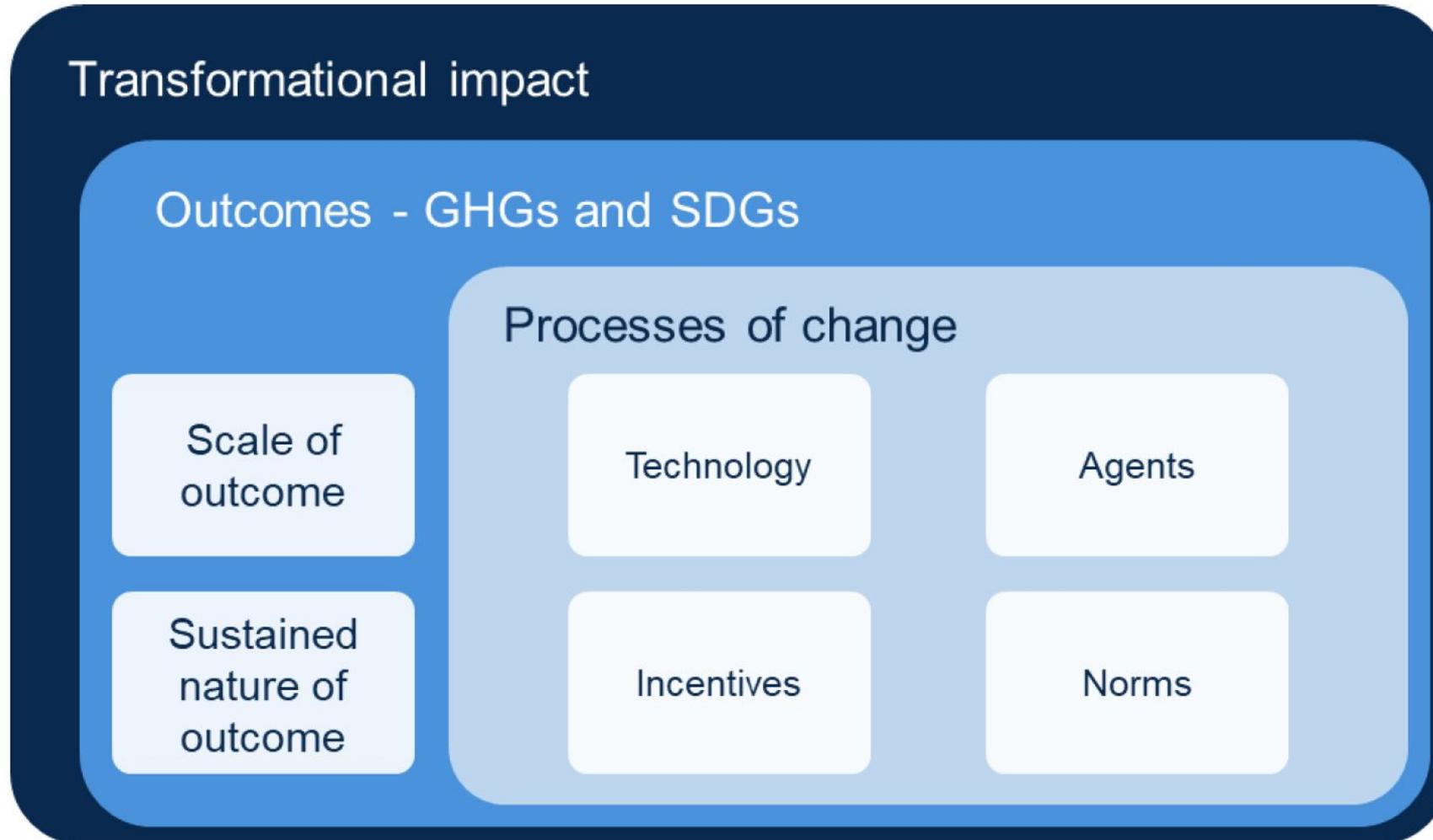
Transformational change conceptual framework

The ICAT definition

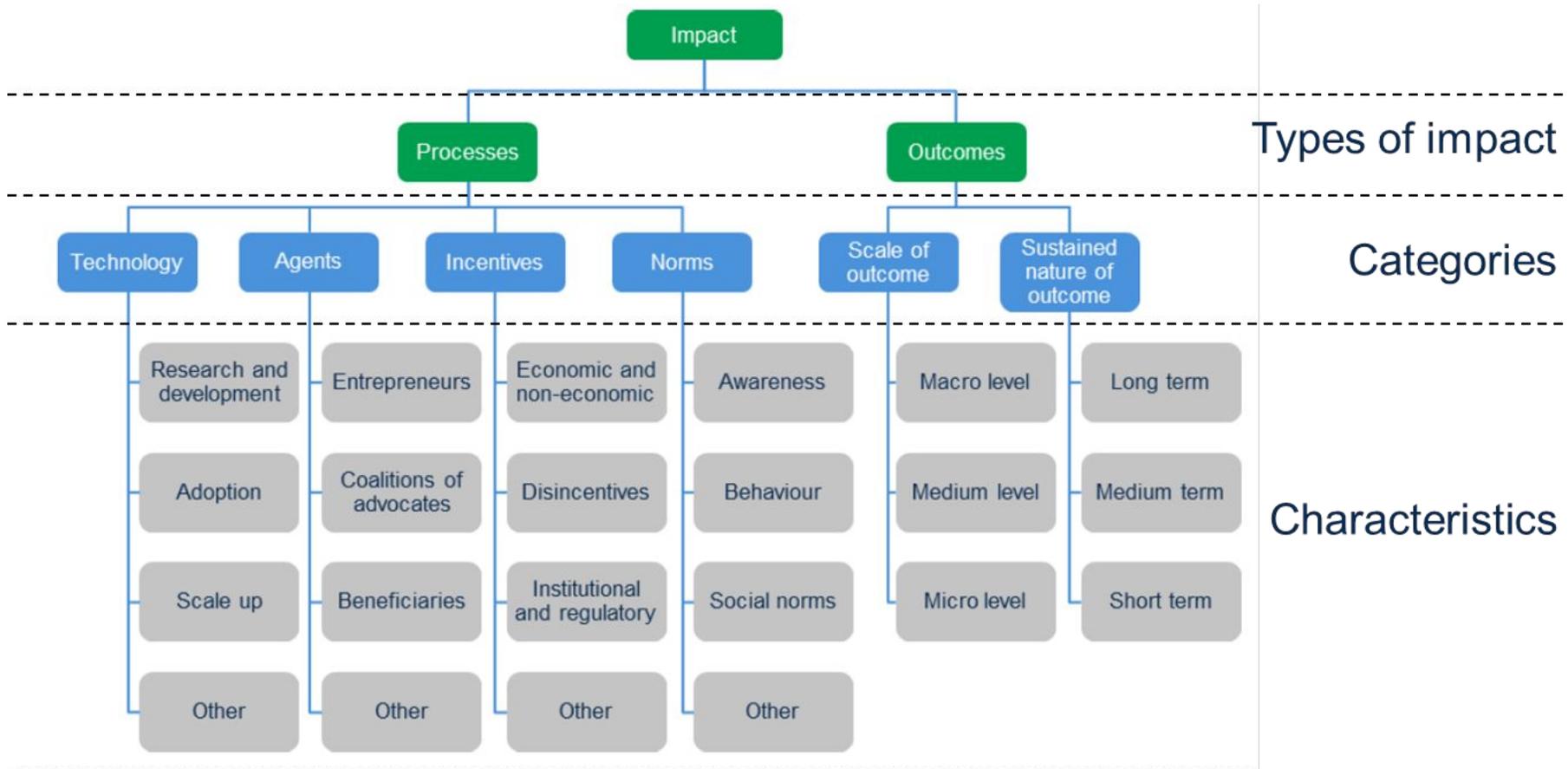
- Transformational change is defined in this methodology as:

A fundamental, sustained change of a system that disrupts established high-carbon practices and contributes to a zero-carbon society, in line with the Paris Agreement goal to limit global warming to 1.5–2°C and the United Nations SDGs.

The concept of transformational impact



Characteristics of transformational impact



Working definition for Article 6

Objective and methodology

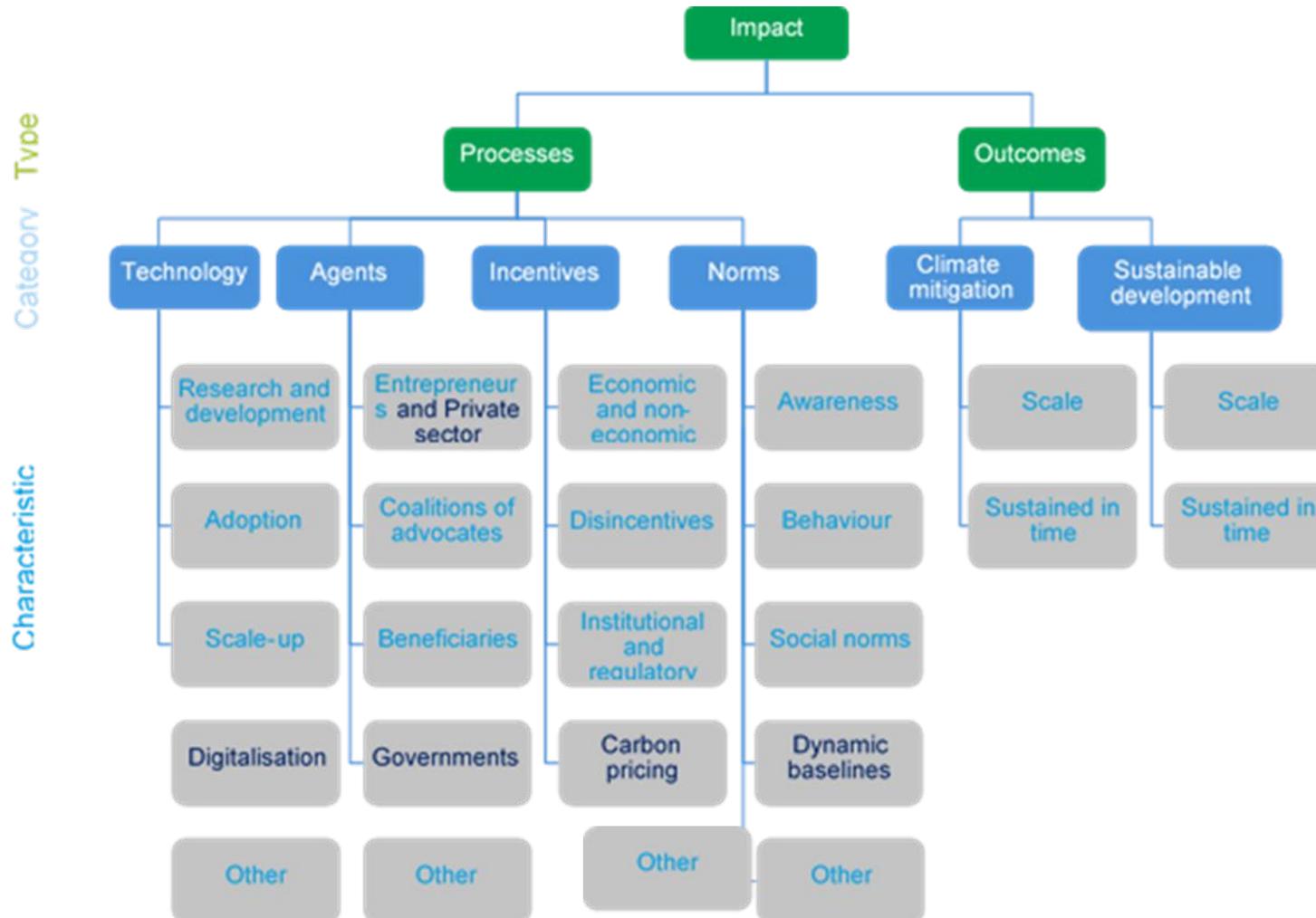
- **The project** '*Transformation & Article 6: Strengthening the transformative effect of market approaches under the Paris Convention*' funded by the Federal Environment Agency (UBA), Germany, jointly implemented by UNEP DTU Partnership, Perspectives and First Climate, 2020-21 has the **objective**:
 - *To understand and strengthen how carbon market approaches under the Paris Agreement can have a transformative impact for net zero emissions and SDGs*
- **Methodology** (WP1) to identify transformative characteristics relevant to A6 - two steps:
 1. **Conceptual understanding:** A literature review on the concept of transformation: 131 sources assessed in 5 categories (1) Finance and mechanisms, 2) Grey, 3) Peer-reviewed, 4) Corona & 5) Historical) reviewed and analysed in an Excel sheet based on questions, main findings summarised in the report. Semi-structured interviews with four funds and mechanisms: 1) KliK, 2) TCAF, 3) FMO, 4) EBRD based on a questionnaire and notes (no transcriptions and quotes)
 2. **Applied transformation characteristics:** Analysis of the characteristics of transformation in three countries and sectors: 1) Morocco (North Africa) - waste sector, 2) Costa Rica (Central America) - transport sector and 3) Pakistan (South Asia) - energy sector. Ideas and Options for Promoting Transformation through Article 6 Approaches (synthesis of insights as basis for WP2)

Insights from interviews on how funds and mechanisms define and operationalise transformation

Topics	KliK	TCAF	FMO	EBRD
Engagement in Article 6 activities	Facilitates Article 6 activities and transactions	Aim for Article 6 transactions, yet no active pipeline of projects	No, climate and development finance	No, climate and development finance
Definition of transformation	<p>Promotion of the concept of transformation based on 3 pillars:</p> <ol style="list-style-type: none"> 1) Sustained nature of activities, that generates a sustainable income for local communities 2) Paris compatible, incl. for sustainable development and technology 3) Policy congruence with Host countries to support and supplement the achievements of NDCs 	<p>Promotion of the concept of transformational change approached from economic theory:</p> <ul style="list-style-type: none"> • An activity is transformational if it has an impact beyond the project boundaries. • TC is defined separately from SD, the latter is defined by Host countries 	<ul style="list-style-type: none"> • Use of the SDGs (promotion of SDGs 8, 10 and 13) and ambition to align with the 1.5 degree target of the PA. • Definition of two labels for individual investments: <ol style="list-style-type: none"> 1) Green Label 2) Reducing inequalities 	<ul style="list-style-type: none"> • Promotion of the concept of 'transition impact' through the Green Economy Transition (GET). • EBRD thinks of 'transition' and 'transformation' as synonymous: means to create the right regulatory system for carbon markets and to bring in capacity building along with the investments • Adherence to the transition concept was fostered by the increasing demand by donors • Focus on climate resilience and SDGs

Preliminary working definition for Article 6

- identifying transformative characteristics most relevant to A6



Expected results

- Research report on Art.6 incentive structure for transformative change
- 3 NDC briefings highlighting the concept of transformation and potential increases in ambition.
- Key messages and recommendations to maintain environmental integrity while increasing NDC ambitions through Article 6 measures



Thanks!

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More information about the SDI available: [here](#)

The Sustainable Development Initiative (SDI) for Art. 6 aims at promoting strong provisions on sustainable development in the rulebook of Art. 6. The initiative is a collaboration between UNEP DTU Partnership and the Gold Standard Foundation launched in 2017 and supported by Belgium, Finland, Germany, Norway and Sweden in 2020. Views stated are those of the presenters and do not represent any consensus among the Parties involved.



GGGI - Scaling Ambition under Article 6

Sustainable Development Initiative/Wuppertal Institute Webinar

Fenella Aouane, Head – Carbon Pricing Global Practice

15th December 2020



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GGGI Article 6 programs



Readiness

Policy/project
development

Governance
framework design

Capacity-building

Knowledge-sharing

Designing Policy Approaches under Article 6

Funded by the Norwegian Ministry of Climate and Environment

- Design of *policy approaches* for Article 6 cooperative approaches
- Technical support to establish governance frameworks

Mobilizing Article 6 Trading Structures (MATS)

Funded by the Swedish Energy Agency

- Identification and development of *mitigation activities* & deal-structuring
- Technical support to establish governance frameworks



Objectives

- Support GGGI Member and partner countries to go beyond u-NDC and **increase ambition** through ITMO transfer and carbon financing
- Catalyze international trading of mitigation outcomes in support of achieving **transformative and scalable climate actions** needed under the Paris Agreement

GGGI Strategic Outcomes



Carbon Pricing Program Outputs

Economic Analysis of the benefits of Carbon Pricing

Carbon Pricing policies designed, and implementation supported

Carbon trading governance/ institutional frameworks designed and Implemented

Origination and design of policy /mitigation activities

Capacity Building and Knowledge Sharing

Draft transactional documentation

GGGI Intermediate Outcomes

Catalyzed and accelerated **access to climate finance/green investments** for members public and private sectors

Our members have **strengthened policy, planning and regulatory frameworks and institutional capacity** to achieve green growth outcomes

National, regional and global capacity to **drive and expand green growth ambitions** is enhanced.

GGGI Strategic Outcomes

1

Reduced GHG emission

2

Creation of green jobs

3

Increased access to sustainable services

4

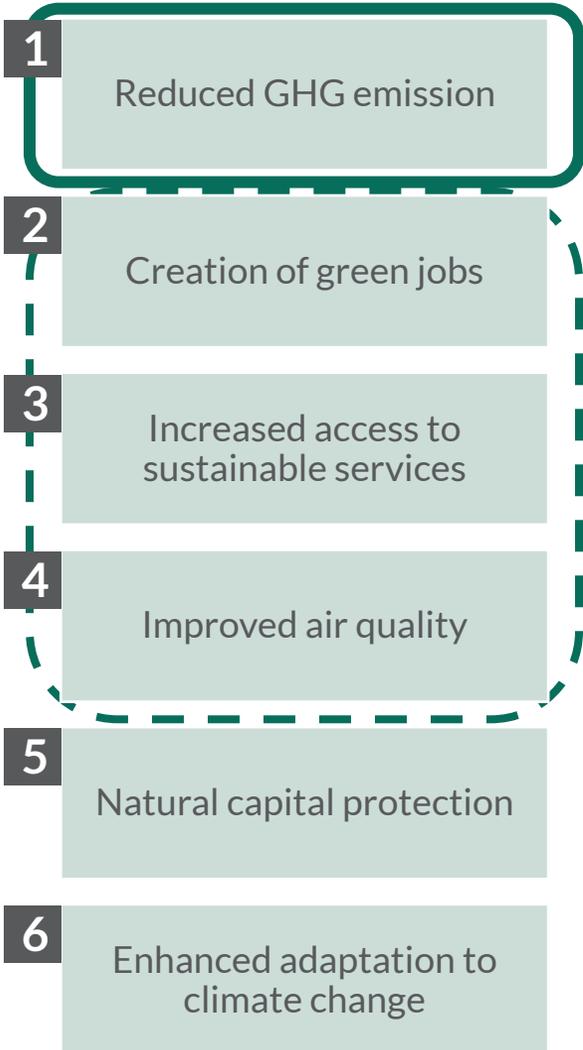
Improved air quality

5

Natural capital protection

6

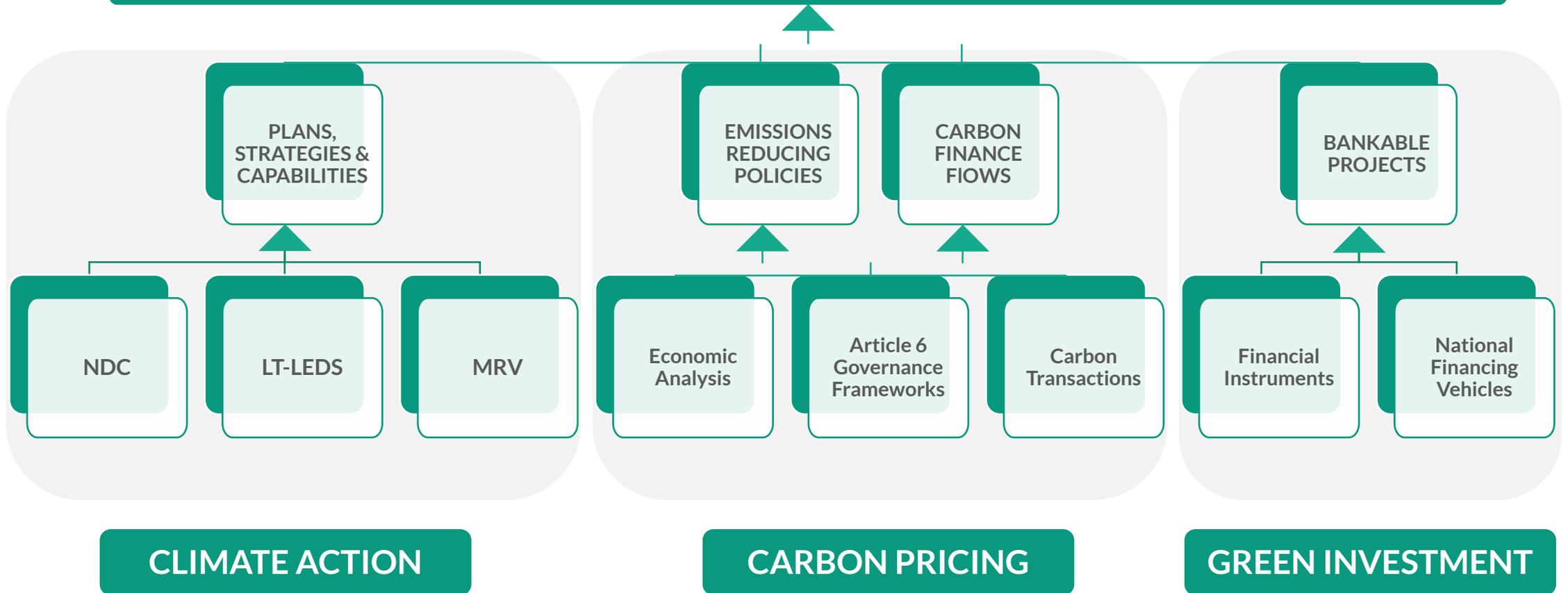
Enhanced adaptation to climate change



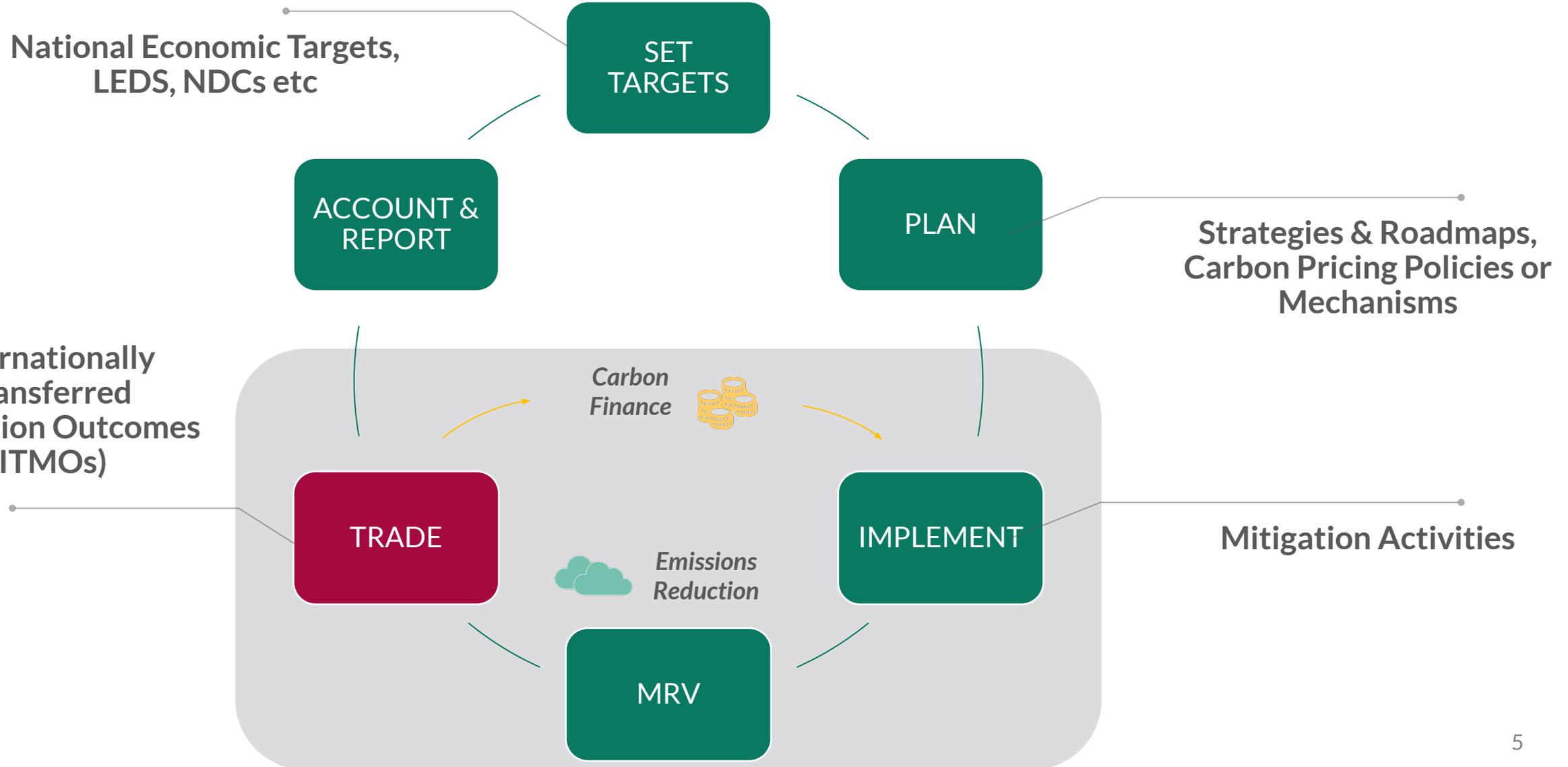
Theory of Change - Carbon Pricing



GHG Emissions Reduction & Increased Ambition



Climate Action and Carbon Finance



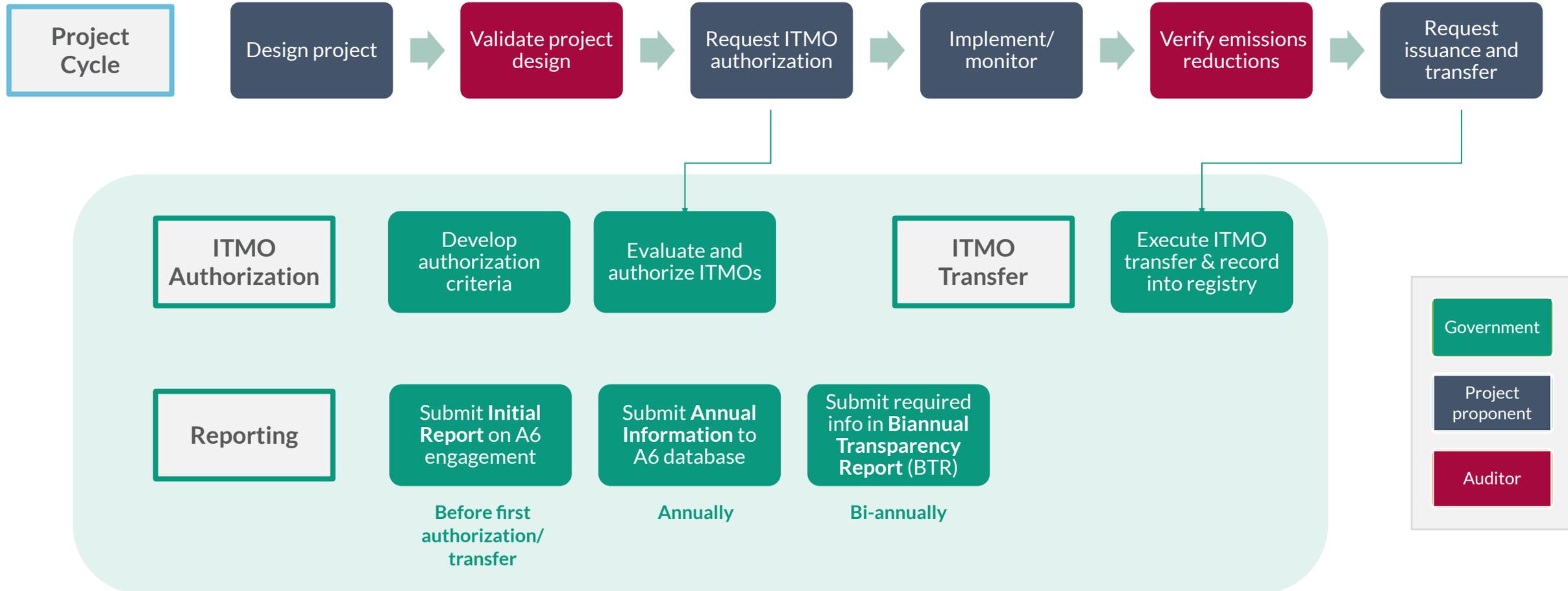
Sustainable Development and Art 6

- Tying to additionality criteria?
- Clear metrics for attainment (Jobs, time saved etc)
- Binary or qualitative link to ITMO transaction
- Link to authorization, ex-ante/ex-post

Introduction: major phases in Article 6 engagement



Key Processes under Article 6



Selected Mitigation Activity in Nepal

Objective

- Support the Alternative Energy Promotion Centre (AEPC) in scaling up production of commercial and municipal biogas in Nepal.

Mechanism

- Incentivizing large biogas operators to integrate both primary (agriculture and animal waste) and secondary waste streams (municipal solid waste and fecal sludge) into their digestors and plants.

Benefits

- Reduce GHG emissions by diverting organic waste away from open dumps/landfill sites and by displacing fossil fuels such as Liquefied Petroleum Gas (LPG) with enriched biogas.

Relationship to proposed GCF program

- GCF Program will address capacity barriers and governance barriers
- SEA MATS program will address financial barriers by enabling access to international carbon finance.

Transformative change potential

- This activity will support the activation of a market driven approach to sustainable waste management by putting a value on secondary feedstocks.



A high-angle photograph of an airport terminal. A person wearing a face mask and a brown jacket is walking through a queue line, pulling a black suitcase. The queue line is formed by blue stanchions connected by a blue rope. Red circular markers are placed on the light-colored tiled floor to indicate social distancing. Sunlight streams in from the right, casting long shadows across the floor.

Achieving Green Growth & Climate Action Post COVID-19

GGGI Technical Report No. 13

In this report, **GGGI explores the challenges and opportunities posed by the COVID-19 pandemic**, the links between health and climate crises, and the lessons we have learned from past disasters to **build back better**.

July 2020



01 Apply green stimulus priorities

02 Transition fossil fuel subsidies to renewable energy subsidies

03 Set ambitious targets as part of recovery packages or “green deals”

04 Align with climate and green growth strategies and plans

09 Accelerate solar-powered irrigation

05 Phase out coal

06 Stimulate green innovation & green jobs

07 Combine digital and green new deals

08 Promote nature-based solutions through employment-based social assistance programs

10 Upgrade health facilities with clean energy

Thank You



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ART
Architecture for
REDD+ Transactions

The Architecture for REDD+ Transactions (ART)

December 2020

ART's Vision

To provide **confidence** needed in the **integrity** of forest emissions reductions to **unlock new, large-scale investments** to **protect and restore forests** and **reward countries** that are delivering those results

Architecture for REDD+ Transactions (ART)

- A global voluntary carbon program (architecture) to register, verify and issue high-quality REDD+ emissions reduction credits to countries and jurisdictions to attract REDD+ finance at scale
- ART promotes national ambition and contribute to Paris Agreement goals
- Governed and managed by globally recognized, independent, objective experts

ART Board



Frances Seymour
Chair



Carlos Nobre
Vice-Chair



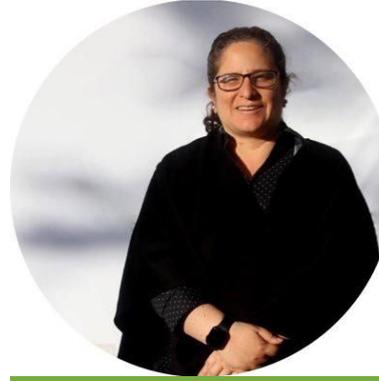
Abdon Nababan



Daniel Zarin



Agnes Kalibata



Lucia Ruiz



William Bumpers

visit: www.artredd.org/about/

The REDD+ Environmental Excellence Standard (TREES)

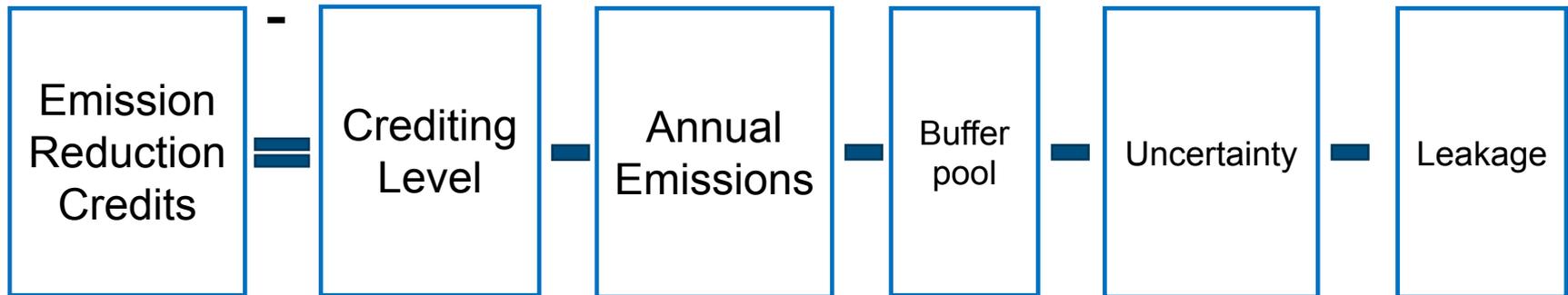
- Crediting level = 5 year historical average of emissions from degradation and deforestation
- Reversal mitigation via a buffer pool
- Leakage deduction for subnational accounting
- Validation and Verification requirements
- Countries must have accounts on the ART Registry, a secure and transparent registry system, built for ART process flow and managed by the Secretariat

Eligible TREES Participants

- Participant must be a national government or subnational government with national government approval
- Registration of subnational accounting areas that meet TREES eligibility requirements allowed until December 31, 2030

TREES Emission Reductions

- Emission reduction (ER) credits =



- After the ERs have been independently verified for conformance with TREES and approved by the ART Board, the Secretariat will issue serialized ERs to the country/jurisdiction in its registry account

ESG Safeguards

- REDD+ activities must be implemented in conformance with the Cancun Safeguards
- TREES outlines 14 themes of the Cancun Safeguards
 - Each theme has a structure, process and outcome indicator
- Participants must initially demonstrate conformance with all structure and process indicators and either demonstrate conformance with the outcome indicators or present a plan to meet them within 5 years
- All indicators must be met by start of second crediting period

Removals & HFLDs

- Approach for crediting removals (i.e., sequestration from reforestation and regeneration) to be added to TREES 2.0
- Special requirements for HFLDs to be added to TREES 2.0

Double Counting

- TREES includes requirements to ensure alignment with Paris Agreement
- Corresponding adjustments required for units transferred out of host country or for CORSIA
- Corresponding adjustments not required for payment for performance and/or use against NDC, use within host country



Thank you

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www.artredd.org



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Climate Change



TRANSFORMATIVE
CARBON ASSET FACILITY

Baselines and transformative change

Early experiences with the Transformative Carbon Asset Facility

Transformative Design of
Article 6 Programs for Net
Zero emissions by 2050.
SDI-WI webinar
Dec 15, 2020



TCAF funding and programs

Total facility capitalization

TCAF became operational in March 2017, with \$215 million in contributions

Contributors



Hybrid funding

Climate finance: support NDC implementation, ERs remain in the host country,
Carbon market funding: ER will be transferred out of host country, payment requires Corresponding Adjustment (CA)

Programs to support

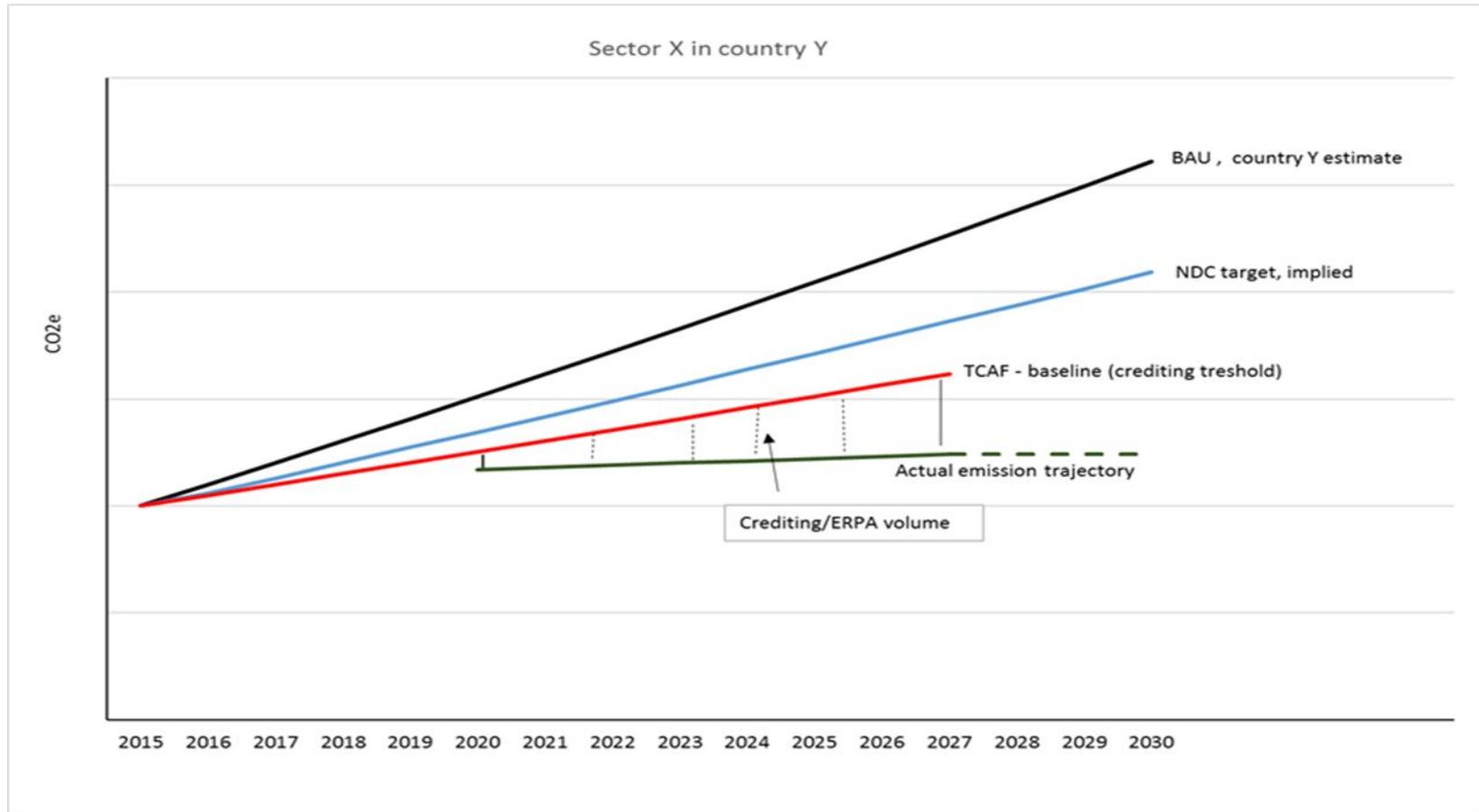
Large scale sectoral, jurisdictional, or policy-based crediting program
\$30-50 million in results-based payments against Emission Reductions(ERs)

Transformative change

- Program selection criteria and part of MRV;
- Each program must fulfill each of 4 criteria:
 - Sizeable mitigation, i.e., about 1mt p.a.+;
 - Sustainability after TCAF exit;
 - Positive effect on NDC ambition;
 - Contribution to carbon pricing.

Baseline setting

Baseline = Min (target emission trajectory, BAU emission trajectory)



→ Creditable ERs

Additionality

- Crediting line below BAU and NDC target;
- Aggregate mitigation beyond individual project level.
- Exemption of mitigation enabled by other international support and respective conditional NDC targets → Attribution.

Attribution

- Mapping of all international concessional climate finance supporting the program;
- Normalization of all support (including ERPA) to grant equivalents;
- Determination of share of ERPA grant equivalent in total grant equivalent;
- Attribution discounts TCAF baseline for conditional target.

Sectoral and jurisdictional Crediting

- Total projected sectoral/jurisdictional emissions;
- Sectoral/jurisdictional NDC target/contribution;
- Fixed ex ante but NDC updated and potential exclusion of crediting decline in activity.

Piloting examples:

- Sectoral renewable energy program;
- Waste sector program;
- City-level program (inventory-based);
- Island-state program (inventory-based).

Policy Crediting

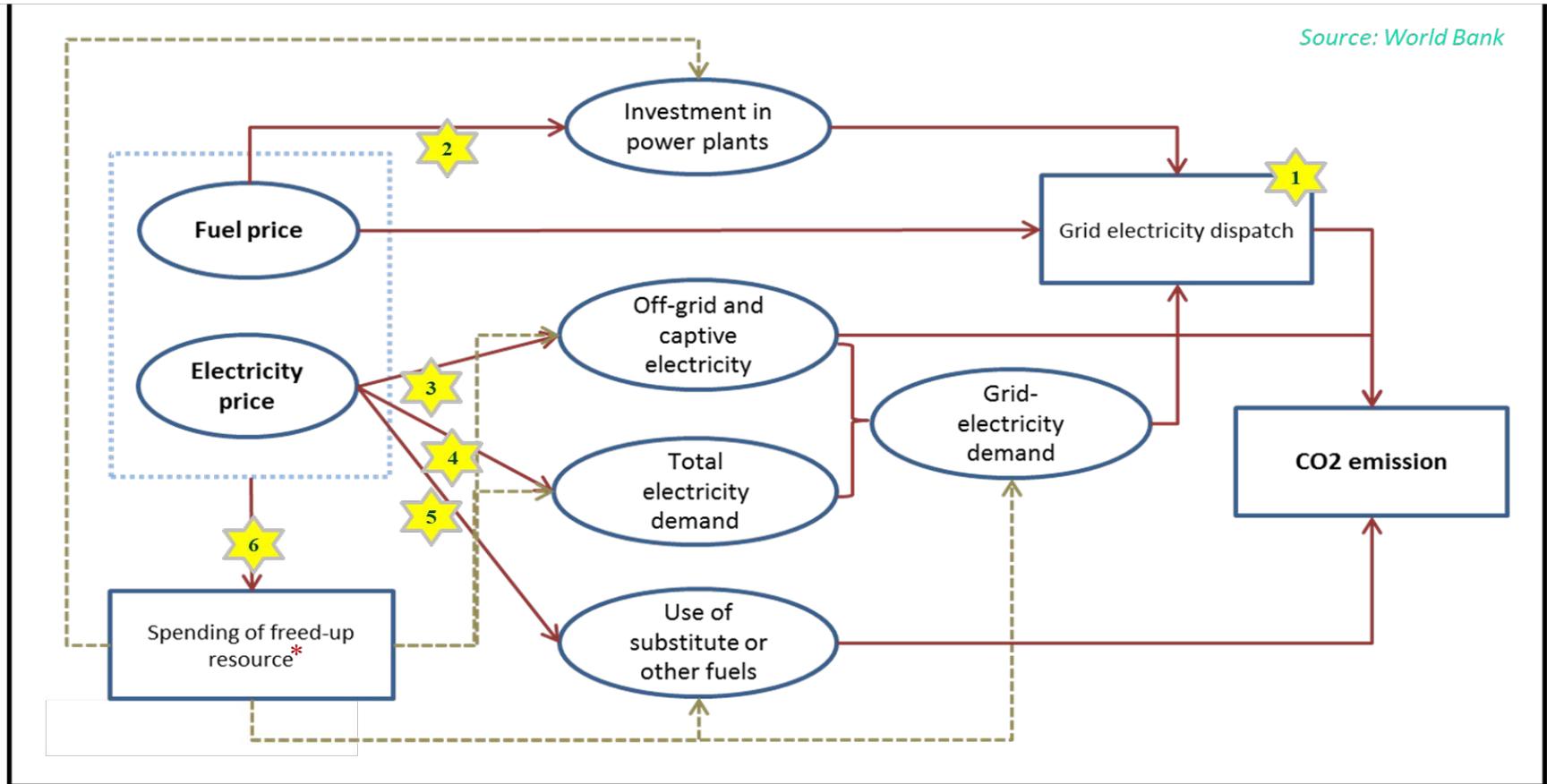
- Modelling of baseline emissions;
- Ex post approach: recalculating baseline;
- NDC updated

Piloting examples:

- Fossil fuel subsidy removal;
- Carbon taxation;
- Mandatory industrial energy efficiency standard.

Morocco policy MRV methodology

Source: World Bank



<http://documents1.worldbank.org/curated/en/964331541085444404/pdf/Morocco-Energy-Policy-MRV.pdf>



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