



Programa de Energías
Renovables y Eficiencia
Energética en Chile

Pathways of (Inter) Regional Collaboration towards a joint implementation of Article 6 of the Paris Agreement

EXECUTIVE SUMMARY



giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

Por encargo de:



Ministerio Federal
de Medio Ambiente, Protección de la Naturaleza
y Seguridad Nuclear

de la República Federal de Alemania



Ministerio de
Energía

Gobierno de Chile

PATHWAYS OF (INTER)REGIONAL COLLABORATION TOWARDS A JOINT IMPLEMENTATION OF ARTICLE 6 OF THE PARIS AGREEMENT

EXECUTIVE SUMMARY¹

Objective and Background

Article 6 of the Paris Agreement explicitly recognizes the capacity of countries (Parties) to adopt cooperative approaches on a voluntary basis, for which the market mechanisms that it contemplates are specifically aimed at facilitating compliance with Nationally Determined Contributions (NDCs).

However, the operationalization of these mechanisms implies overcoming relevant challenges for the Parties, which can be facilitated through the formation of carbon clubs. Through them, countries can bring their positions closer on how to implement the mechanisms of Article 6, thus allowing the establishment of more ambitious mitigation goals and a higher level of commitment among its members.

The objective of this study is to carry out a survey of the existing carbon clubs and bilateral agreements at the international level.

Methodology

The methodology includes the revision and systematization of information on initiatives associated with carbon market clubs that have emerged in recent years and have been implemented at international and regional levels, to present a proposal of definition that applies for Latin American region.

Outcomes

Normally, the initiatives associated with carbon clubs, group of countries and countries that were analyzed have a favorable position towards the use of the market mechanisms contemplated in Article 6 of the Paris Agreement. There is a general consensus about structural and basic principles that should be reflected in the rules, modalities and procedures that the Parties define for the said article, such as: accounting for GHG emissions at the national level, coverage and metrics of the NDCs, use of market mechanisms for the compliance of NDCs or other purposes, role of host countries for mitigation projects, focus on sustainable development, increased ambition in mitigation targets, environmental integrity and avoiding double counting of GHG emission reductions.

However, there are nuances in the way of implementing some aspects related to these principles, such as how to materialize a positive net contribution in terms of GHG mitigation, the commission for adaptation purposes (Share of Proceeds - SOP), the transition of the CDM

¹ Full study available at: <https://www.4echile.cl/publicaciones/vias-de-colaboracion-interregional-hacia-una-implementacion-conjunta-sobre-el-articulo-6-del-acuerdo-de-paris/>

towards the new mechanism of Art. 6.4 of the Paris Agreement as well as the consideration of historic emission reductions under the Kyoto mechanism. These differences would be addressed in a more proactive and consensual manner in the context of a carbon club, as it would allow for the unification of criteria, the generation of practical experience and regional synergies through pilot activities, facilitating the transition process towards a new, more collaborative, inclusive, sustainable, and resilient regional economic development model.

From the survey and interviews² carried out in this study, it is possible to define a carbon club as a:

“Voluntary initiative for political-technical climate cooperation between governmental and / or non-governmental actors whose objectives, focused on specific climate issues, follow guidelines under agreement of its members on issues such as: establishment of integrated carbon markets, assurance of compliance mitigation by escalating its ambition, evaluation and discussion of Article 6 criteria under international negotiations and capacity building and synergies.”

The main objectives that stand out from the analyzed initiatives, are summarized as follows:

- Generate political will and consensus, increasing confidence to boost ambition in the fight against climate change at a regional and global scale.
- Promote and exchange expertise and capacity building on issues such as emissions trading.
- Provide financial assistance to developing countries to implement mitigation and adaptation actions and incentivize cooperation development on adaptation, mitigation, disaster risk reduction, desertification, etc.
- Foster technology transfer and collaboration in the field of research.

A carbon club could act as a regional platform that enables transactions of Internationally Transferred Mitigation Outcomes (ITMOs) within a region, as well as the sale of mitigation initiatives to other existing clubs, international sectoral agreements or to other countries, including developed countries that require ITMOs to meet their goals established in their NDCs or to achieve their carbon neutrality targets by 2050.

² The interviewees were representatives of Perspective Climate Group, Climate Teams, Ministry of Foreign Affairs of Chile, Climate Focus, Environmental Defense Fund (EDF), West African Alliance on Carbon Markets and Climate Finance, Stiftung Klik, International Emissions Trading Association (IETA), Eastern Africa Alliance on Carbon Markets and Climate Finance.