

Status of the Negotiations & Core Article 6 issues



Purpose of this presentation

- Purpose
 - To provide **some reflections** on the outcomes from Madrid, current on-going discussion on Article 6.
- Caveat
 - **Chatham House Rule**
 - Presentation made on basis that Presidency texts are not agreed but what we have in them is focus for discussion today



Article 6: co-operation towards NDCs

Cooperative approaches

Articles 6.2 and 6.3 and decision 1/CP.21, paragraph 36

Bilateral/multilateral cooperation between interested countries, involving transfers of the mitigation outcomes produced through such cooperation

The mechanism

Articles 6.4 to 6.7 and decision 1/CP.21, paragraphs 37 and 38

To be operated centrally (UNFCCC secretariat), credits emission reductions by public and private sector actors, allows for international transfer of those credits

Framework for non-market approaches

Articles 6.8 and 6.9 and decision 1/CP.21, paragraphs 39 and 40

Facilitates climate action through international cooperation focused on sustainable development and poverty eradication (and does not involve trading)



Outcome at CMA-2 in Madrid: decision

- Objective: to adopt 3 decisions, one for each instrument, with detailed rules for Art.6 implementation, including robust accounting and avoidance of double-counting of emission reductions
- The objective was not achieved: similar to CMA-1 in Katowice, outcome on Article 6 at CMA-2 was procedural as agreement could not be achieved on some key issues.

- The CMA requested the SBSTA to continue consideration of Article 6 at SBSTA-52 :
 - on the basis of the draft decision texts (3 iterations for each of the 3 draft decisions),
 - with a view to recommending draft decisions for consideration and adoption by CMA-3.



Outcome at CMA-2 in Madrid: issues

- Avoiding double use of units from the 6.4 mechanism
- CDM transition (in the part for units)
- Baselines and additionality (as part of the design of the 6.4 mechanism)
- Share of proceeds (SOP) for cooperative approaches under Art.6.2
- Overall mitigation in global emissions (OMGE)



Key factors impacting negotiations

- COP-26 will have other major issues, not just Art.6 (ambition and NDC updates/revisions, pre-2020, adaptation finance (as part of the broader finance issues), technical work on transparency, etc.
- Remaining Art.6 issues are few compared to Madrid but “big”; much effort at all levels is needed in 2021 to ensure success in Glasgow
- SBSTA-CMA cooperation/coordination remains important
- Quantitative analysis of CER transition issues is needed
- Outside developments (ICAO, other developments) need monitoring
- Further non-adoption of Article 6 decisions at CMA-3 would have considerable implications for CDM operation
- Non-adoption at CMA-3 - there may be political and technical linkages with some other deliverables



Key factors to reach outcome

- CMA 2 in Madrid was very close on Article 6 and achieving agreement is feasible in Glasgow.
 - Intense work during the year is needed to identify workable compromise solutions on the few unresolved issues which are now also highly political
 - Minimize roll back of issues for which compromise achieved. The negotiations should be issue-based to tackle unresolved issues.
 - This has to be a “**consensus story**” – all countries, all interests, inclusivity like the Paris Agreement. Landing operational rules requires a commitment to an outcome from all groups and countries and compromise from all groups and countries.
 - And it is REAL! – There is **strong real-world potential for cooperative action as** existing Article 6 pilots show, but without UN decisions, it may be difficult to achieve a meaningful impact of cooperative action on global mitigation.
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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 Paris Agreement that directly engages the business and private investment sector in directly implementable activities in which they can invest
 - In addition to the trading instruments, implementation of non-market approaches is essential to contribute to sustainable development and poverty eradication
 - There is strong real-world potential for cooperative action - shown by existing pilot Article 6 projects, but without UN decisions, it may be difficult understanding the overall impact of cooperative action on global mitigation
 - Centralized mechanism helps in ensuring broader accessibility of markets
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THANK YOU



Article 6 negotiation updates Updates on CDM, CDM transition and Article 6



Purpose of this presentation

- Purpose
 - To provide **some reflections** on current on-going discussion on Article 6, CDM, and the potential transition of CDM activities, units.
 - Key open issues and practical implications and CERs to the 6.4 mechanism.
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- The transition of activities is allowed following an **eligibility check**
- SBSTA to develop **criteria for the transition, steps of implementation** and a **fast track procedure for small-scale activities and PoAs**
- Before re-registration, the **host Party has to communicate its approval** of the transition
- The transition shall be **completed no later than [2023]**
- The transitioned activity may continue to apply the CDM methodology until the earlier of the end of its current CP or 31 Dec 2023.
- **A host Party shall apply a corresponding adjustment for all A6.4ERs first transferred, subject to** future decision of the CMA that shall provide an opt out period, during which a host Party that first transfers A6.4ERs from sectors and greenhouse gases (among others) not covered by its NDC is not required to apply a corresponding adjustment



CDM at cross roads

- CDM issuance for ER until 31st Dec 2020 – BAU
- CDM – EB in its work plan requested the sec to prepare a note on the **implications** of postponement of CMP 16 on CDM operation
- Present issue and possible solutions to address the gap until CMP 16.
- Solutions in a view to provide stability to PP , enabling them to better manage risks, while preserving the authority of the CMP



THANK YOU

