

Carbon market under the Paris Agreement

CTI Workshop

Berlin, 23 and 24 June 2016



Danielle Magalhães

Sustainable Development Mechanisms, UNFCCC secretariat

Objectives of the Paris Agreement

- The **Paris Agreement** reflects global political acceptance of the scientific realities

- **Long-term goals:**
 - Limiting temperature: well below 2°C, pursuing 1.5°C (Art 2)
 - Reducing aggregate emissions in 2030 to 40Gt (1/CP.21, para 17)
 - Aiming a balance between emissions by sources and removals by sinks of GHG in the second half of the century (Art 4.1)

- **All Parties** have committed to limiting their aggregate long-term emissions to achieve these goals (expressed through NDCs)



Contribution of Article 6

- Recognises that Parties may cooperate in the implementation of their NDCs to allow for higher ambition
- Provides a basis for the voluntary use of:
 - Use of transferred mitigation outcomes between authorizing Parties
 - A mechanism to contribute to mitigation and sustainable development
 - A framework to allow for holistic integration of differing aspects of action and support
- Provides Parties with tools for the achievement of the long-term goals of the Agreement



Guidance on the use of ITMOs (Art. 6.2)

- Guidance in Art 4.13 will cover how a Party will compare the emissions and removals covered by the sectors, gases and time period of their NDC to that NDC
- Guidance under Art 6.2 will provide for how a Party can use ITMOs between participating Parties to demonstrate achievement of their NDC
- We could think of Art 4.13 and Art 6.2 as a package, 4.13 calculating a Party's emissions and removals in comparison to their NDC and 6.2 for their adjustment for the use of ITMOs



Accounting for ITMOs

- The accounting guidance in Art 4.13 provides the general principles of promoting environmental integrity, transparency, accuracy, completeness, comparability and consistency, and ensuring the avoidance of double counting
- The use of ITMOs by Parties to demonstrate achievement of an NDC can be seen as part of the accounting rules for NDCs and subject to these principles



The Mechanism (Art. 6.4)

- The mechanism is established under the authority and guidance of the CMA and will be supervised by a body appointed by the CMA (i.e. will have international oversight)

- The aims of the mechanism are to;
 - Promote the mitigation while fostering sustainable development
 - Incentivize and facilitate participation by authorized public and private entities
 - Contribute to emission reductions in the host Party that can be used by another Party to fulfil its NDC (but if so used, cannot also be used by the host Party for its NDC achievement)
 - Deliver an overall mitigation in global emissions



The Mechanism (cont.)

- Emission reductions from the mechanism are to:
 - Be additional, real, measurable and long term from specific scopes of activities (not limited to projects and programmes)
 - Verified and certified by designated operational entities
- The mechanism is global in reach and all Parties can both host activities and use emission reductions to achieve NDCs
- The mechanism is not limited to emission reductions that will be used for the achievement of NDCs (either of the host or another Party) only but can be used for other purposes, such as MRV of climate finance



Framework for Non-Market Approaches (Art. 6.8)

- It is a framework for non-market approaches that aim to:
 - Promote mitigation and adaptation ambition
 - Enhance public and private participation in the implementation of NDCs
 - Enable opportunities for coordination across instruments to enhance linkages and synergies

- Should incentivize and assist actors in implementation and recognize efforts and outcomes of a broad base of activities, approaches and actors, being not limited to particular activity types

- Could be means of enhancing the verification of outcomes of finance and technology transfer



Results of the Climate Talks in Bonn (May 2016)

- Three reflections notes were published:
 - Art. 6.2: Parties expressed views on the obligations (“shalls”) and explored the following concepts: nature of ITMOs, governance, implications of different forms and types of NDCs, how the guidance would be applied
 - Art. 6.4: Parties explored the following aspects: the applicability of the mechanism to all Parties, similarity and differences to existing mechanisms under the KP, activities and scopes under the mechanism
 - Art. 6.8: What are non-market approaches? How to avoid duplication with existing Convention processes, while enhancing linkages and creating synergy? To what extent a non-market approach must be cooperative or may be domestic?

 - Next step: submissions by Parties to be continued discussions in Marrakech (Nov. 2016)
-



Conclusion

- Overall: Parties to be engaged to achieve the long-term goals of the Paris Agreement
- Parties may cooperate to allow higher ambition using Art 6
- There are still many steps on the process before full understanding on how markets will be operating under the Paris Agreement



United Nations Framework Convention on Climate Change

