

Opportunities and safeguards for ambition raising through Article 6

The perspective of countries transferring mitigation outcomes

Innovate4Climate, German Pavilion

NewClimate Institute

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- » Ambition raising in the Paris Agreement (PA)
- » Ambition raising in Article 6
- » Opportunities to raise ambition
- » Risks included
- » Safeguards needed
- » Conclusions

- » Fundamental difference to the Kyoto Protocol:
all Parties are now expected to contribute to the global effort, peak their own emissions as soon as possible, reduce emissions thereafter, and decarbonize their economies in this century
- » Current NDCs insufficient to limit temperature increase to well below 2°C/1.5°C
- » Ambition raising measures in the Paris Agreement meant to close this gap (e.g. Articles 3, 4, 14)

- » Call for a “progression” of countries’ efforts over time (Article 3 and 4.3)
- » Each contribution should reflect a country’s “highest possible ambition” (Article 4.3)
- » Each successive NDC should go “beyond” the previous NDC (Article 4.3)
- » Countries can update and improve their NDCs at any time (Article 4.11)
- » Are expected to communicate a new NDC at least every five years (Article 4.9)

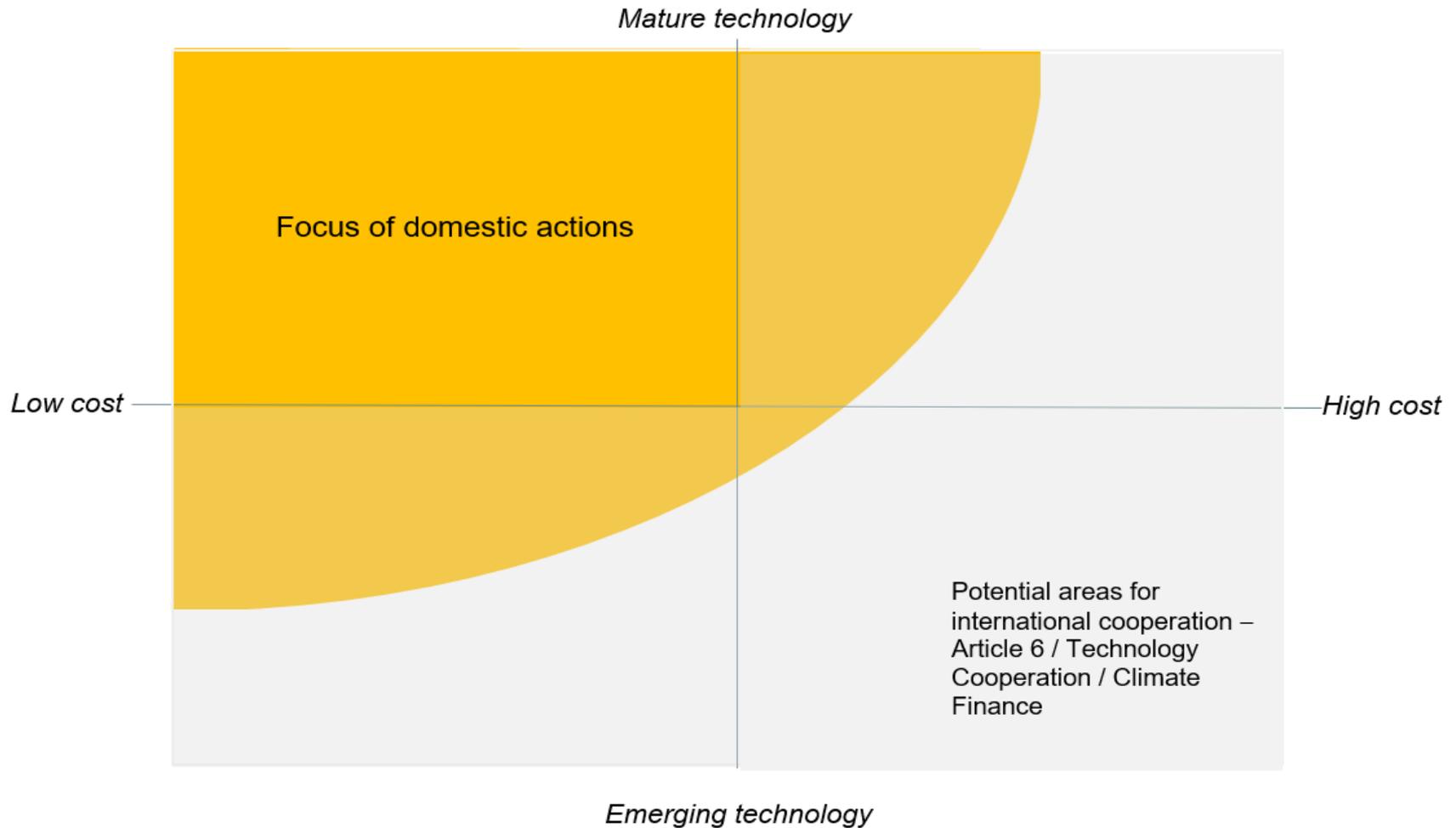
- » Voluntary cooperation should lead to “... the implementation of their NDCs to allow for **higher ambition** in their mitigation and adaptation actions...” (Article 6.1)
- » Consequently, and to allow for higher ambition, Article 6 should **provide originating Parties with the flexibility to reach and overachieve current mitigation efforts, without jeopardising current and future ambition** in domestic mitigation efforts
- » Ambition raising being the goal of international (market) cooperation is a significant departure from Kyoto Protocol flexibility mechanisms
- » Operationalise of this function is yet to be worked out

- » (1) Creating an overall mitigation of global emissions
 - The Article 6.4 mechanism will have to ‘deliver an overall mitigation in global emissions’ (Article 6.4 (d))
 - A mechanism that contributes to ‘net mitigation’ is by definition more ambitious than a zero-sum transfer (pure offsetting)
 - No direct consequence on increasing emissions reduction targets in NDCs – (our definition of raising Parties’ mitigation ambition)
- » (2) Ambition raising using non-market approaches
 - Could build country’s capabilities to take-up more ambitious mitigation and result in higher ambition in the next NDC cycle
 - Without ITMO transfers many risks to ambition are not material although overlap with other measures and PA provisions
 - Lack of clarity on how exactly these approaches could be implemented

» (3) Enhancing ambition by driving mitigation in inaccessible abatement options

- Alignment of market approaches into Parties' NDC implementation
- Potentially transferring countries have own mitigation targets
- Each Parties' contribution should reflect already the highest possible ambition, with dynamic progression over time
- Challenge to define (a) **measures reserved for own action** to efficiently and cost-effectively achieve their own Paris compatible NDC and (b) scope for **measures internationally supported** through Article 6 cooperation
- Only driving mitigation in inaccessible abatement options provides originating Parties with the flexibility to reach and overachieve current mitigation efforts, without jeopardising current and future ambition in domestic mitigation efforts

Inaccessible technologies



- » Using carbon markets (e.g. for “grey zone technologies”) must be assessed against opportunities to domestically circumvent barriers and other cooperation under the PA (e.g. climate finance and technology framework)
- » Governments should take an active role in identifying sector proposals eligible for investment through Article 6 and/or define exclusion lists
- » Support should last for a limited timeframe only to allow Parties to flexibly reassess inaccessibility
- » Future markets will automatically find and pursue the most cost-effective outcomes available within the defined technology scope

Disincentives and undesirable impacts for originating Parties must be overcome:

Domestic target setting and policy enactment

Incentives to increase domestic ambition and enact policies could be restricted due to an effective increase in the marginal abatement costs of domestic action, associated with the opportunity cost of foregoing ITMO use.

NDC scope extension

Incentives for originating Parties to extend the scope of their NDCs to economy-wide targets could be restricted

Baseline inflation

Parties may face perverse incentives to inflate projected emission baselines in NDCs

Safeguarding ambition through **participation eligibility**

Safeguards	Opportunities and risks safeguarded
A Participation in Article 6 mechanisms could be restricted to Parties who have developed and communicated long term mitigation strategies (LTS) that explicitly identify the role of ITMOs in their implementation.	Ensure that Parties approach Article 6 mechanisms strategically to maximise opportunities and have awareness of all relevant implications.
B Participation in Article 6 mechanisms could be restricted to Parties with economy-wide targets or rules for the ITMO-eligibility of actions could be made irrespective of NDC scope definitions.	Avoid potential disincentives for future NDC scope extensions; and in contrast provide concrete incentives for moving to economy-wide targets.

Safeguarding ambition through **participation eligibility**

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<p>A Participation in Article 6 mechanisms could be restricted to Parties who have developed and communicated long term mitigation strategies (LTS) that explicitly identify the role of ITMOs in their implementation.</p> <ul style="list-style-type: none"> • How will NDC scope and target evolve over NDC cycles to meet the LTS, and how can ITMOs improve the capacity for these developments? • What criteria could be used for determining the ITMO-eligibility of mitigation actions (i.e. identifying actions that are inaccessible for domestic action), so as not to compromise short- or long-term objectives for domestic action? 	<p>Ensure that Parties approach Article 6 mechanisms strategically to maximise opportunities and have awareness of all relevant implications.</p>
<p>B Participation in Article 6 mechanisms could be restricted to Parties with economy-wide targets or rules for the ITMO-eligibility of actions could be made irrespective of NDC scope definitions.</p>	<p>Avoid potential disincentives for future NDC scope extensions; and in contrast provide concrete incentives for moving to economy-wide targets.</p>

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Safeguarding ambition

through **rules for ITMO-eligibility**

Additionality will not be enough. Article 6 mechanisms need to **exclusively target the *inaccessible* high-hanging fruit.**

Safeguards	Opportunities and risks safeguarded
<p>C An objective set of criteria could be established to identify positive & negative lists for inaccessible actions.</p>	<p>Ensure that Art 6 mechanisms target the high-hanging fruit <i>exclusively</i>.</p>
<p>D International benchmarks could assist to identify ITMO eligibility for actions in the “grey zone”.</p>	
<p>E The period for which ITMO-eligible mitigation actions remain eligible should be finite and could be aligned with the period of NDC cycles.</p>	<p>Ensure the ability to target high-hanging fruit exclusively is maintained over time and that the role of Article 6 mechanisms in long-term national strategy for the ambition cycle can be easily planned for.</p>
<p>F The volume of ITMOs available to trade for any originating Party could be limited by baselines based on emissions levels achieved in previous NDCs.</p>	<p>Avoid perverse ambition incentives by creating a market only for units that increase future ambition in the long-term.</p>

Safeguarding ambition

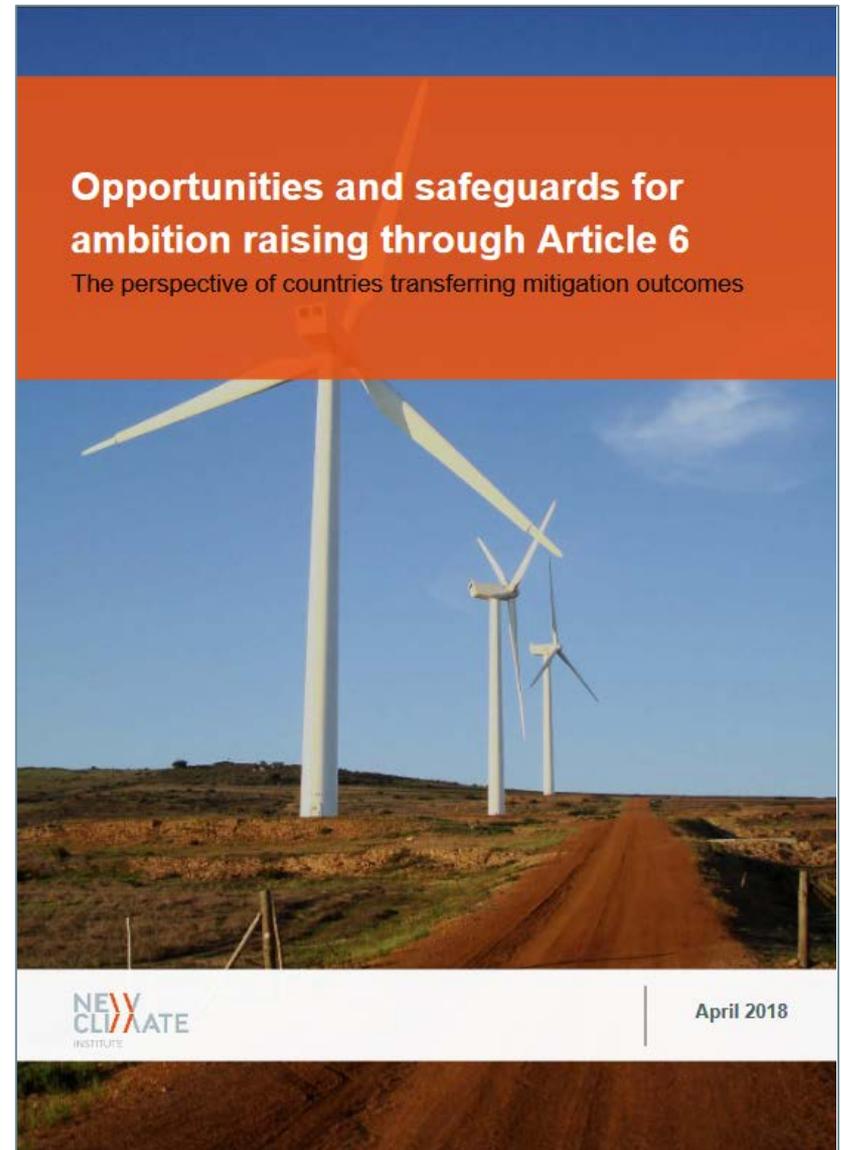
through **capacity building and exchange**

Safeguards	Opportunities and risks safeguarded
G International support for Article 6 readiness could assist countries to build the information and evidence to support ambition target setting .	Improve the enabling conditions for originating Parties to set ambitious NDC targets.
H International support for Article 6 readiness could assist countries in the objective identification of domestically inaccessible technologies and actions for ITMO-eligibility.	Improve the enabling conditions for originating Parties to effectively identify the national circumstances for the high hanging fruit and ITMO-eligible actions that will support national ambition raising objectives.

- » Parties need to create frameworks for **channel markets** towards building their capacities for **NDC progression**
- » **Limiting Art 6** use to technologies / abatement options that are genuinely ***inaccessible*** through own domestic efforts is key
- » Robust design & implementation of **safeguards** is needed **to avoid disincentives** & undesirable impacts.
- » **Ensuring that safeguards are watertight** is not only **in the interest** of the international community as a whole but also the individual participating Parties.

**Thank you for
your attention!**

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