Wuppertal Institut

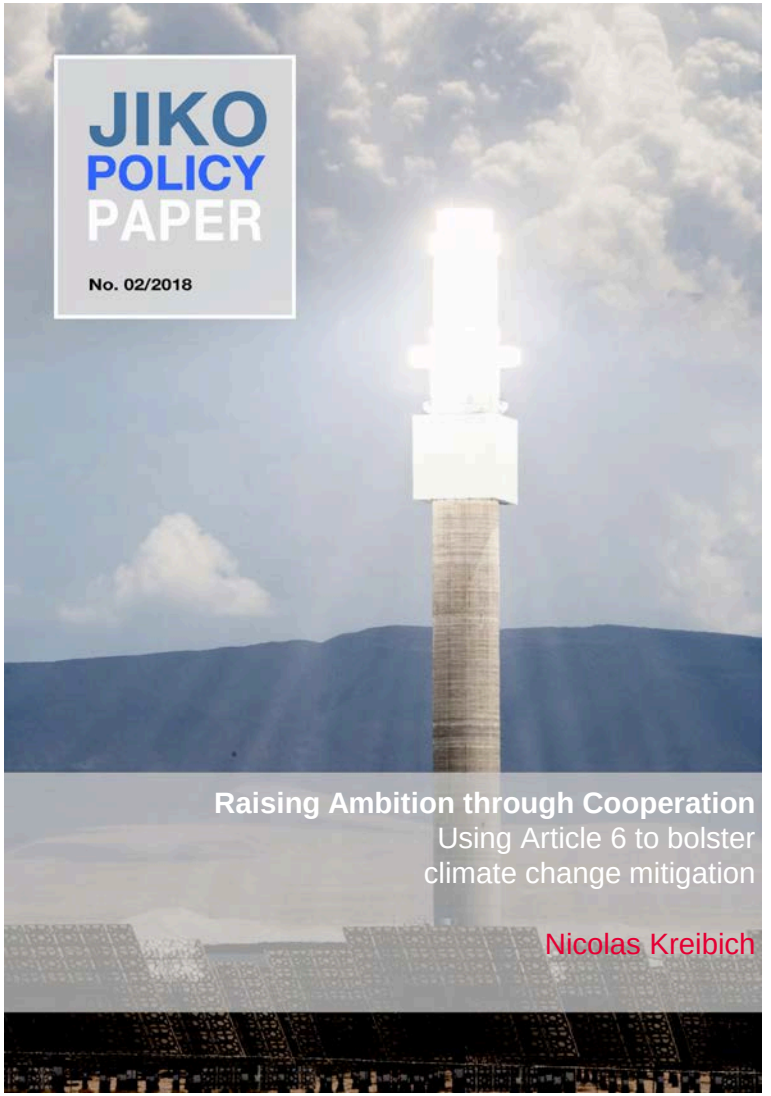
22 May 2018 | Wuppertal

Ambition Raising: Using Article 6 to bolster mitigation action

Nicolas Kreibich

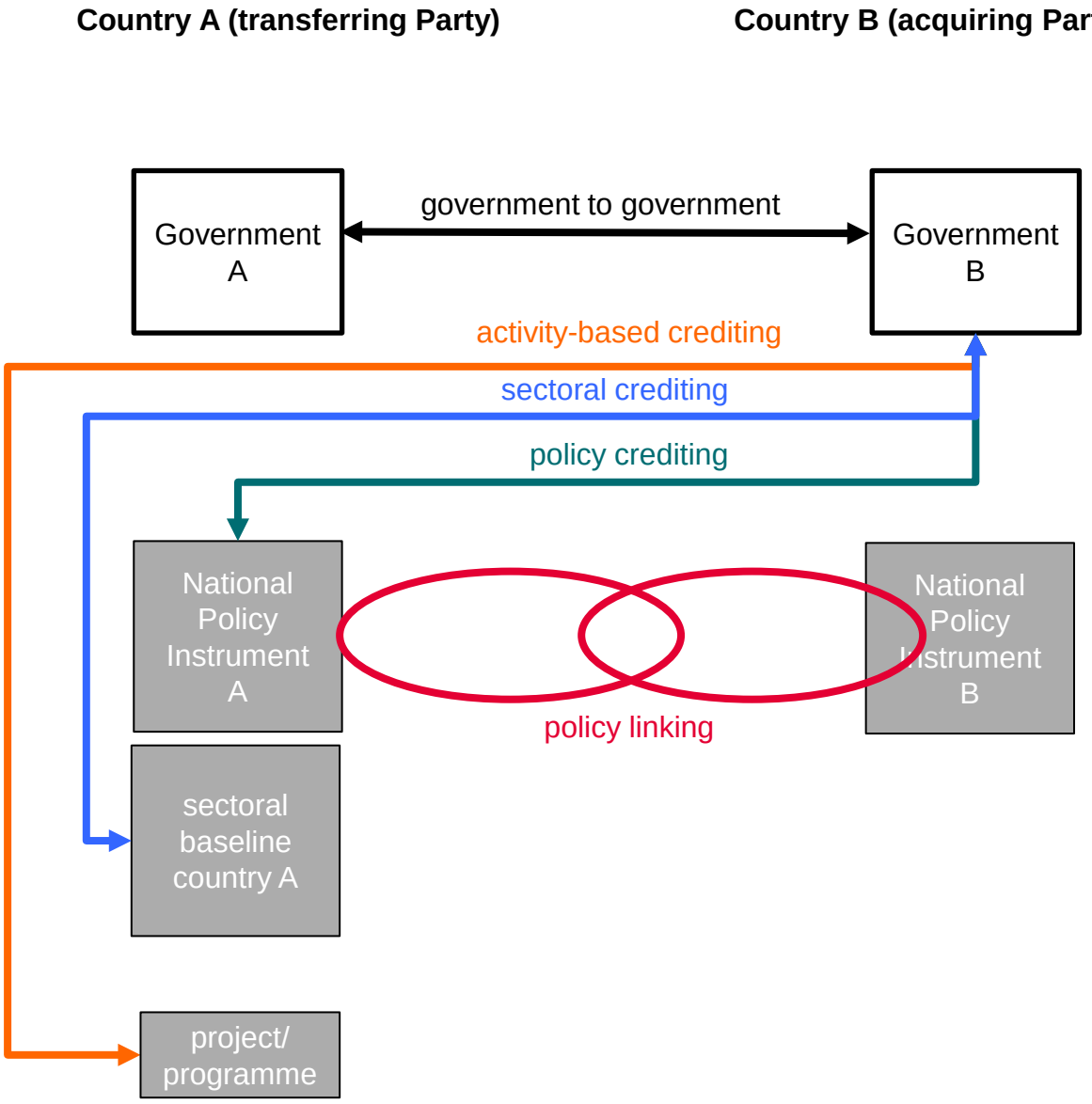
AGENDA

1. What types of cooperation may be used for ambition raising?
2. Conceptual foundation: What does ambition and ambition raising mean?
3. What are the options for Parties to raise their ambition when using Article 6?
4. Conclusions



What types of market-based cooperation may be used for ambition raising?

What types of market-based cooperation may be used for ambition raising?



Ambition raising as a key component of market-based cooperation under Article 6

- Activities under Article 6 are to “allow for **higher ambition**” (Art. 6.1)
- No clear definition of what ambition and ambition raising means
- Unclear how it relates to the concept of “overall mitigation” of Art. 6.4

→ **Lets have a look at the Paris Agreement...**

Ambition raising under Article 6:
A concept related to Parties' targets and actions

Wuppertal Institut

NDCs must represent a "progression beyond the Party's then current nationally determined contribution and reflect its highest possible **ambition**" (Art. 4.3)

"Parties recognize that some Parties choose to pursue voluntary cooperation in the implementation of their nationally determined contributions to allow for higher **ambition** in their [=Parties'] mitigation and adaptation actions and to promote sustainable development and environmental integrity." (Art. 6.1)

[The mechanism] (…) shall aim: (…)

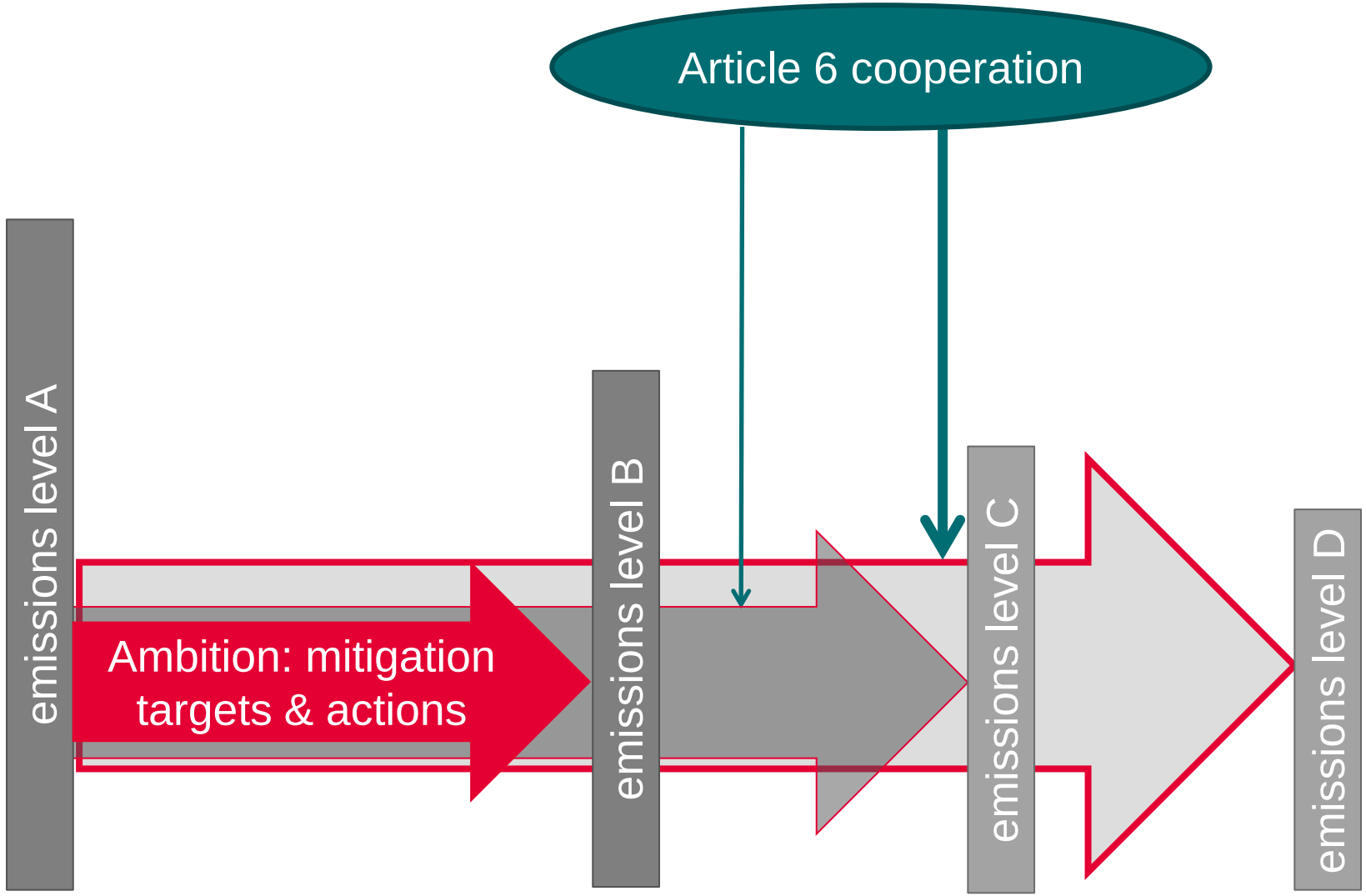
(d) To deliver an overall mitigation in global emissions." (Art. 6.4)

ambition: targets and actions of **Parties**

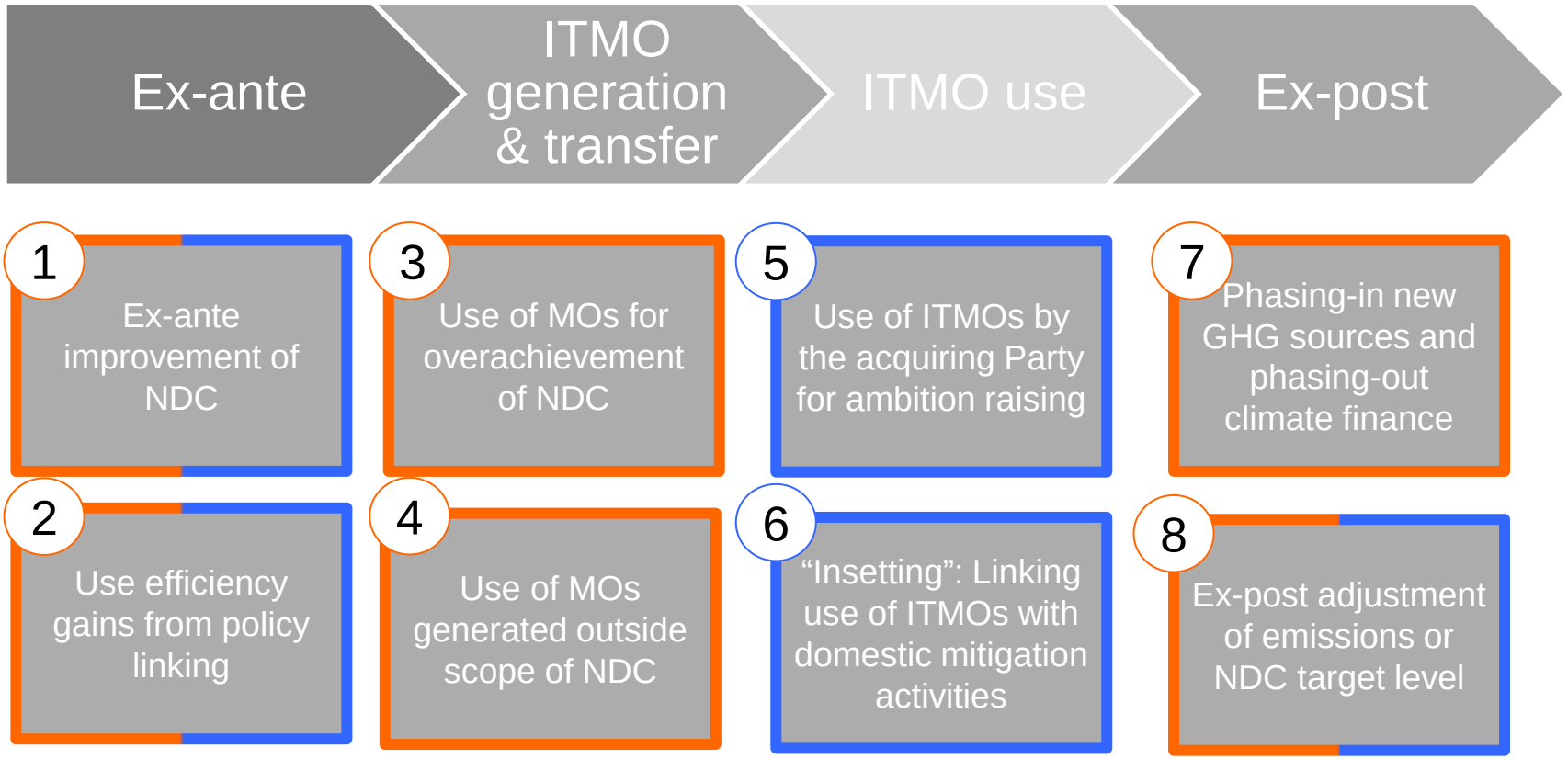
≠

overall mitigation: contribution of the Art. 6.4 **mechanism**

Ambition: What is it and how can it be raised?



Options to raise ambition in the context of Article 6



Ambition raising options: Ex-ante

- Enhance NDC (i.e. by moving from single-year to multi-year target type) or increase NDC target level
- Fully in line with PA requirements, technically easy to implement

- Linking of ETS (or other policies) may lead to efficiency gains that can be translated into a more stringent NDC
- Significant challenges regarding the (ex-ante) quantification of savings, gains may not be distributed evenly among Parties

Transferring Party

Acquiring Party

Ambition raising options: ITMO-generation and transfer

3 Use of MOs for overachievement of NDC

- Transferring Party only transfers part of the MOs resulting from an Art. 6 activity
- MOs not transferred are used to overachieve NDC
- Challenge: ITMO-generating activity must not crowd-out other domestic mitigation activities (→ corresponding adjustments)
- ITMOs cannot be used by investor country

4 Use of MOs generated outside scope of NDC

- Transferring Party uses MOs generated outside of its NDC's scope for ambition raising
- Challenges in additionality demonstration and baseline setting, disincentive to expand NDC's scope
- ITMOs cannot be used by investor country

Transferring Party

Acquiring Party

Ambition raising options: ITMO use

5 Use of ITMOs by the acquiring Party for ambition raising

- Acquiring Party does not use (all) ITMOs for NDC attainment but to increase its own ambition
- Straightforward to implement, can be linked to existing concepts such as discounting, voluntary cancellation

6 "Insetting": Linking use of ITMOs with domestic mitigation activities

- Acquiring Party links ITMOs imported to domestic mitigation activities (i.e. by using the same technology in both countries)
- Challenge to ensure that domestic mitigation activity in the acquiring country does actually raise ambition, new institutions and rules required

Transferring Party

Acquiring Party

Ambition raising options: Ex-post

7 Phasing-in new GHG sources and phasing-out climate finance

- Outside NDC's scope: transferring country could commit to include emissions targeted by the mitigation activity into its future NDC
- Clarity on NDC needed, ensuring additionality of activities not covered by the NDC may be challenging

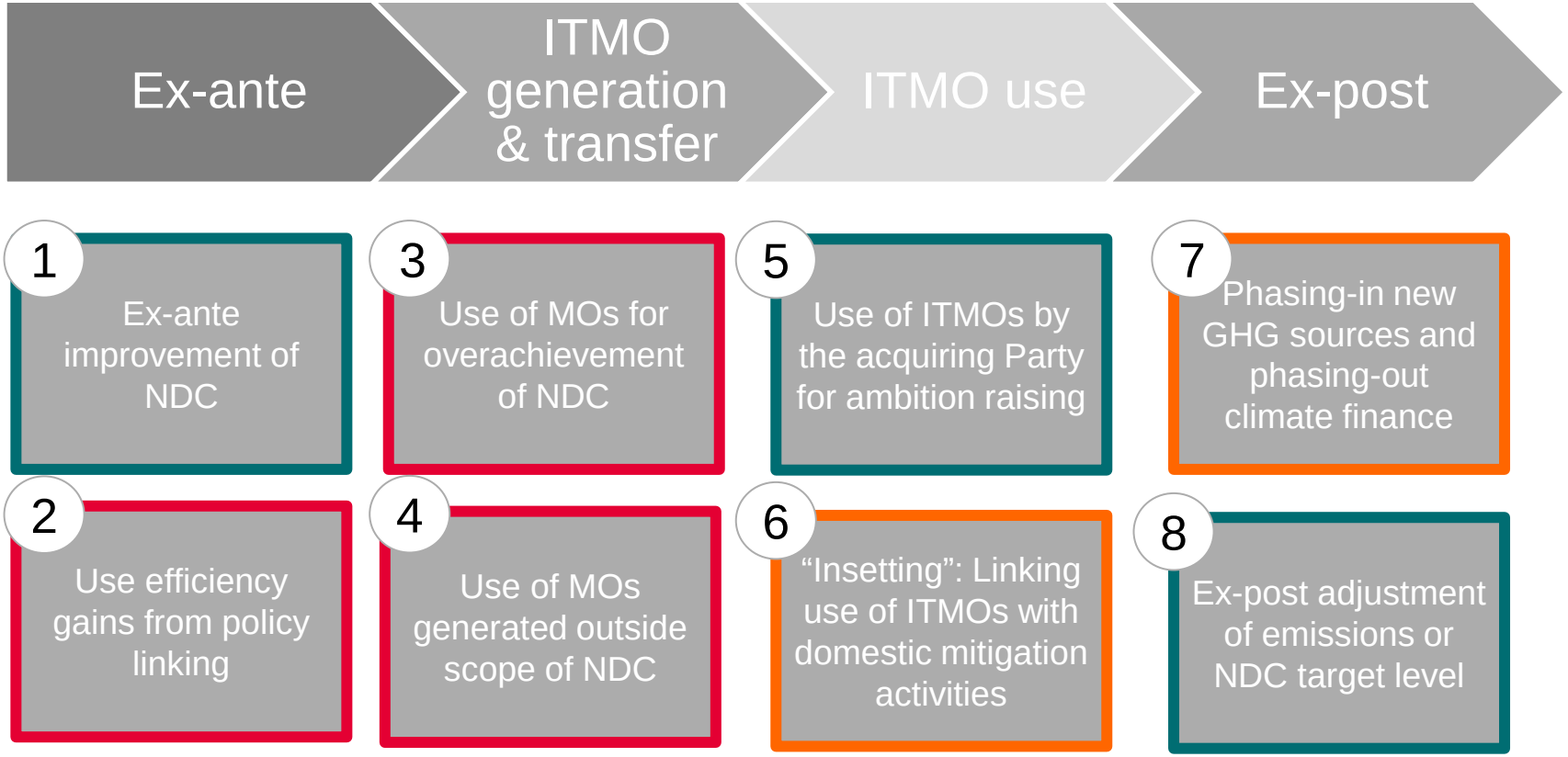
8 Ex-post adjustment of emissions or NDC target level

- Parties use corresponding adjustment framework to 'over-adjust' their target level or emissions
- Implementation is straightforward

Transferring Party

Acquiring Party

Options to raise ambition in the context of Article 6



Conclusions

Ambition raising and overall mitigation should be kept separate:

- Ambition raising is linked to actions *and* targets of Parties using Art. 6
- Overall mitigation is a contribution of the Art. 6.4 mechanism

Various ambition raising options but significant challenges:

- Ambition raising options that are actually linked to the market-based cooperation are associated to significant technical, institutional and political challenges

Combining different options can maximise the ambition raising impact of Article 6:

- Focusing on long-term ambition raising options (increase NDC target level) only may result in a delay of climate action
- A menu approach could allow to combine immediate ambition raising options with long-term options

Wuppertal Institut

Thank you for your attention!

nico.kreibich@wupperinst.org