

JIKO **WORK** **SHOP**

14 June 2017, Berlin

Clearing the Haze: Market-based Cooperative Climate Action under Article 6 Begins to Take Shape Evaluation of the Workshop

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Clearing the Haze: Market-based Cooperative Climate Action under Article 6 Begins to Take Shape

Evaluation of the Workshop

14 June 2017, Berlin

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1 Background and Objectives

Article 6 of the Paris Agreement established three approaches for countries to cooperate with each other: cooperative approaches under Art. 6.2, a new mechanism to promote mitigation and sustainable development under Art. 6.4, and a framework for non-market approaches under Art. 6.8. Detailed rules for these three approaches are currently being negotiated (Obergassel 2017, PP 01/2017).

Against this background, the expert workshop “Clearing the Haze: Market-based Cooperative Climate Action under Article 6 Begins to Take Shape” was held as part of the JIKO project on behalf of the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) on 14 June 2017 in Berlin.

Aim of the workshop was to enable an exchange between the representatives of the BMUB and selected experts on the question of what can be and what must be mentioned in the implementing decisions on Article 6 of the Paris Agreement?

Based on that, the overall purpose was moving from the conceptual level to specific suggestions for the implementing decisions.

The workshop started with taking stock of latest advances in both Article 6 submissions and the negotiations, to set all participants on the same level of knowledge. Three presentations were given on that matter:

- Wolfgang Obergassel (Wuppertal Institute) provided a synthesis of recent Article 6 submissions with focus on environmental integrity and sustainable development.
- Anne Gläser (GIZ) offered reflections on specific country submissions of Brazil, the Caribbean Community (CARICOM) and the African Group of Negotiators (AGN).

- Philip Eyre (UNFCCC Secretariat) presented the state of play in the recent negotiations of Article 6 under the Paris Agreement at SB46.

The afternoon session of the workshop was dedicated to more detailed discussions on one specific issue: the operationalization of sustainable development provisions in the Article 6 mechanisms (6.2 and 6.4). Following an impulse presentation by Karen Holm Olsen (UNEP DTU Partnership), participants split up into three breakout groups and discussed in an interactive format how SD provisions could apply under different forms of international cooperative climate action under Article 6: a project-based mechanism, a policy-based instrument (international co-financed renewable energy feed-in tariff), and linking of emissions trading schemes.

2 Taking Stock of Article 6 Discussions

2.1 Synthesis of Recent Article 6 Submissions

Wolfgang Obergassel of the Wuppertal Institute presented an overview of parties' views on Article 6 of the Paris Agreement. In his presentation, Mr. Obergassel highlighted two specific aspects: environmental integrity and sustainable development¹.

Environmental Integrity

With respect to environmental integrity, there is no clear, universally adopted definition. Most submissions are explicitly or implicitly based on the view that environmental integrity is synonymous with the integrity of carbon units: the idea that one carbon unit represents one ton of CO₂e reduced and is counted only once towards a commitment.

For example, one submission proposes that in order to participate in international transfers of mitigations outcomes, multi-year emission budgets should be a pre-requisite. This conflicts with the view held by a number of Parties that participation in Article 6 activities should remain open for all Parties irrespective of their

¹ A detailed analysis of the recent round of Article 6 submissions is available in Obergassel (2017): <http://www.carbon-mechanisms.de/en/submissions2>

type of Nationally Determined Contributions (NDCs).

In contrast to this narrow focus on environmental integrity as a “book keeping” challenge, Obergassel suggested a two-fold Environmental Integrity Challenge for the use of Article 6:

- A “static” challenge to ensure the environmental integrity of individual transactions. Risks are e.g. lacking additionality, double counting, overselling – “Not more emissions than if the transaction did not exist”.
- And a “Dynamic” challenge to ensure that use of Art. 6 in one NDC period does not undermine climate ambition in future periods. Risks are e.g. minimizing ambition and NDC scope - “Not more emissions than if Art. 6 did not exist”.

In this latter regard, the Art. 6.1 mandate to raise ambition is crucial. A number of submissions view that flexibility will by itself help increase ambition. Other submissions view that ambition raising needs to be a design feature of the mechanisms. Interestingly, only one submission highlights the risks of overselling, i.e. a country transferring too many ITMOs so that it cannot achieve its own contribution anymore.

Obergassel also highlighted suggestions by Parties to limit eligibility for transfers to absolute emissions reductions and to make Art. 6.4 a tool for voluntary action by the private sector. Another proposal is to discount reductions so that a net mitigation benefit is achieved.

With respect to transparency and accountability, one party suggested that Art. 6 should be subject to review in the context of the global stocktake and Parties where transfers are found

not to contribute or even undermine ambition should be excluded from future participation.

Last but not least, one Party suggested that the supply of units should be managed to keep prices stable.

Sustainable Development

According to Obergassel the submissions – to the extent that they cover sustainable development aspects – reflect the long-standing controversy between those who see sustainable development and in particular the definition of what this entails as a national prerogative and those that would like to see some international guidance and harmonization on that matter. The following suggestions with respect to sustainable development can be found in the submissions:

- requirements to develop and internationally notify national criteria and procedures for SD appraisal;
- requirements to demonstrate how activities contribute to SD;
- requirements to report under Art. 13.7 on

how activities promote SD;

- the development of a voluntary tool at the international level;
- international minimum requirements and a set of criteria Parties could apply in the context of their own priorities;
- the development of a universal SD framework on the basis of the SDGs;
- requirements to demonstrate how activities respect, promote and consider obligations on human rights in line with the preamble of the Paris Agreement

2.2 Reflections on Three Specific Country Submissions

Anne Gläser of the *Gesellschaft für Internationale Zusammenarbeit – GIZ* gave a presentation on the submissions of Brazil, Saint Lucia on behalf of the Caribbean Community (CARICOM) and Mali for the African Group of Negotiators (AGN).

Brazil stresses that Article 6 ought to contribute to ambition raising, increasing resilience and



mobilizing finance and technology transfer. One important cornerstone of Brazil's submission would be the goal of continuing or carrying over the CDM to the Paris Regime. Brazil wants each country to be able to design and operate its own domestic ETS without international rules being imposed.

The Caribbean Community pushes for the 1.5 degree target and the necessary mitigation ambition to achieve this target. This also becomes evident in its submissions on Article 6 where CARICOM focuses on the claim that Article 6 – including 6.2 – must go beyond offsetting and deliver net global emission reductions beyond the level of mitigation ambition presented in Parties' NDCs. In CARICOM's view, centralized international oversight and multilaterally-agreed rules are needed for the whole of Article 6 (i.e., including 6.2).

The African Group highlights the importance of ambition raising for mitigation but also for adaptation and wants to see the aim of overall mitigation in global emissions to apply to both Article 6.2 and 6.4. Besides, their submission states that CDM activities should continue and the mechanism under 6.4 should more or less resemble the CDM.

In the following, Anne Gläser reviewed the positions of these three countries with respect to specific topics as manifest in their recent submissions.

Sustainable Development

Brazil holds a clear view on sustainable development: basically, sustainable development considerations are a national prerogative and the international climate change regime is not to suggest how Parties should promote sustainable development domestically. They posit that the mechanism under Article 6.4 should provide environmental, social and economic benefits to Parties such as finance, technology transfer and job creation - but the rules and

procedures of the new mechanism must not include "top down" sustainable development criteria.

The African Group also sees sustainable development as a national prerogative. The group advocates that sustainable development criteria should be defined at the national level and the monitoring should only take place at the national level as well. International reporting should only be voluntary.

The Caribbean Community does not mention sustainable development in its submission on Article 6.

Ambition Raising vs. Offsetting

Brazil is not very vocal on ambition raising and only says that Article 6 should contribute to the necessary ambition for reaching the temperature goal.

By contrast, for the Caribbean states, ambition raising is a key issue. They highlight that Article 6 should be designed specifically to move beyond offsetting and deliver net global emission reductions beyond the level of mitigation ambition presented in Parties' NDCs.

In the Paris Agreement, only Article 6.4, not 6.2, explicitly mentions the objective of "mitigation in global emissions". CARICOM advocates that it should be an aim of 6.2 as well.

In order to drive reductions beyond the ambition of NDCs and go beyond offsetting CARICOM proposes a number of measures, namely:

- to cancel a share of ITMOs upon transfer;
- discounting ITMOs with a fixed discount rate when used towards NDCs (e.g. requiring 5 tons of transferred reductions to cover 4 tons of domestic emissions);
- conservative baselines;
- short crediting periods.

The African Group also advocates to extend the goal of achieving “overall mitigation in emissions” to Article 6.2, so emission trading should raise ambition and not just represent off-setting. However, this basic position is not described in detail in the submission.

Governance concerning Article 6.2

In terms of Article 6.2, all three submissions advocate rather strong international oversight which should more or less match the level of central oversight of Article 6.4. The background is that there is a potential imbalance between 6.2. and 6.4 because only Article 6.4 has “strong / central” governance requirements in the form of modalities and procedures. The Parties fear that this “burden” might sideline the 6.4 mechanism and they would like to avoid this happening.

Brazil calls for rules and governance structures that are multilaterally agreed and accountable to all Parties. They say that Article 6.2 must have an accounting framework and environmental integrity safeguards that are no less stringent than those for Article 6.4. In addition, they see the need for an international transaction mechanism to verify the validity of transactions under Article 6.2.

Similarly, the Caribbean Community advocates international oversight mechanisms for all mechanisms under Article 6, that is, also for Article 6.2. Rules for Article 6.2 should not be any less rigorous than those applied for Article 6.4.

The African Group is also in favour of a more centralized approach to Article 6.2. They want ITMOs to be registered in an international centralized registry hosted by the UNFCCC secretariat and transactions to be coordinated via this international registry.

Eligibility for Article 6.2

CARICOM and the African Group do not mention the issue of national ETS. What they mention, however, are eligibility criteria for countries that want to use Article 6.2.

CARICOM is of the view that if Parties want to use ITMOs towards their NDCs, both the NDCs and ITMOs have to be quantified in tons of CO₂ equivalent (to enable robust accounting by means of corresponding adjustments).

By contrast, probably because many African countries do not have absolute emission targets, the African Group of Negotiators claims that all Parties should be allowed to use ITMOs towards their NDCs without any restrictions based on the type of NDCs.

Purpose of the mechanism under Article 6.4

Brazil declares that Article 6.4 should serve as a tool for non-Parties to participate in climate change mitigation activities through the cancellation of credits, and that it should stimulate climate finance and technology transfer and support adaptation.

CARICOM perceives Article 6.4 as a means to drive emission reductions beyond the level stated in countries’ NDCs and as a funding source for adaptation.

The African Group understands the mechanism under Article 6.4 as a certification mechanism, which generates fungible & tradable units which can be used for NDC compliance. They stress that the mechanism should on the one hand enhance ambition and on the other hand promote sustainable development – also by generating climate finance. In their 2016 submission, the group even explicitly demanded that activities must only be implemented in developing countries.



Kyoto Mechanisms

Brazil is strongly in favour of a smooth transition from the CDM to the mechanism under 6.4, i.e. that CDM methodologies should be used under the new mechanism; that CDM projects should continue to issue CERs under 6.4; and that past CDM CERs should be eligible under the new mechanism. In addition, also the supervisory board of the new mechanism should succeed the CDM-Executive Board “in virtually all aspects.”

Saint Lucia and Mali also want a CDM-like mechanism to continue under the Paris Regime. CARICOM highlights that the problems of JI and CDM (such as hot air) must be avoided in the future and that the tools developed to address these problems should inform Article 6 rules, for example, commitment period reserves to prevent overselling of units.

The African Group states that CDM procedures should be taken as a blueprint where appropriate; yet the submission remains at an abstract level and does not provide any details in this regard.

Domestic Efforts vs. International Cooperation

The Caribbean Community holds that domestic emission reductions must be central and using ITMOs toward NDC achievement can only be supplementary to domestic efforts.

The African Group holds a similar view and posits that developed countries must primarily meet their NDCs through domestic efforts. In their view, the employment of Article 6 must be supplemental to Parties’ own efforts, particularly for developed countries.

2.3 State of Play in the Negotiations

Philip Eyre, UNFCCC Secretariat, presented some information about the state of play in the negotiations on the language of the Paris Agreement.

He highlighted the delicate situation he is in as almost all negotiations including the roundtables were closed to observers and he therefore has very little to say that is not already publicly available.

Mr. Eyre began his presentation by outlining the rather ambitious task ahead. There are only three meetings left before the final decisions have to be prepared for adoption to comply with the work programme (Figure 1).

Subsequently, Mr. Eyre provided an overview of the issues discussed at the round tables. For the above mentioned reasons, his presentation had to rely heavily on the publicly available outcomes of negotiations at SB45 as represented in the respective informal information notes prepared by the co-facilitators of each subject:

- Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement http://unfccc.int/files/meetings/bonn_may_2017/in-session/application/pdf/sbsta_10a_informal_note_final.pdf
- Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement http://unfccc.int/files/meetings/bonn_may_2017/in-session/application/pdf/sbsta_10b_informal_note_final.pdf

- Work programme under the framework for non-market approaches referred to in Article 6, paragraph 8, of the Paris Agreement http://unfccc.int/files/meetings/bonn_may_2017/in-session/application/pdf/sbsta_10c_informal_note_final.pdf

2.4 Follow-up Discussion

The ensuing discussion took up, inter alia, the continuation of the CDM and in particular existing projects that still have many years of project lifetime left. Responding to that question, one discussant highlighted that it is the EU’s position that the CDM should not be maintained. Instead, it is intended to move beyond purely project-based approaches and to widen the scope to sectoral and policy based instruments. The priority therefore should be to get the conditions for market-based instruments under the Paris Agreement right. When this is achieved, there may also be room to discuss how to transition individual projects from the CDM to other mechanisms.

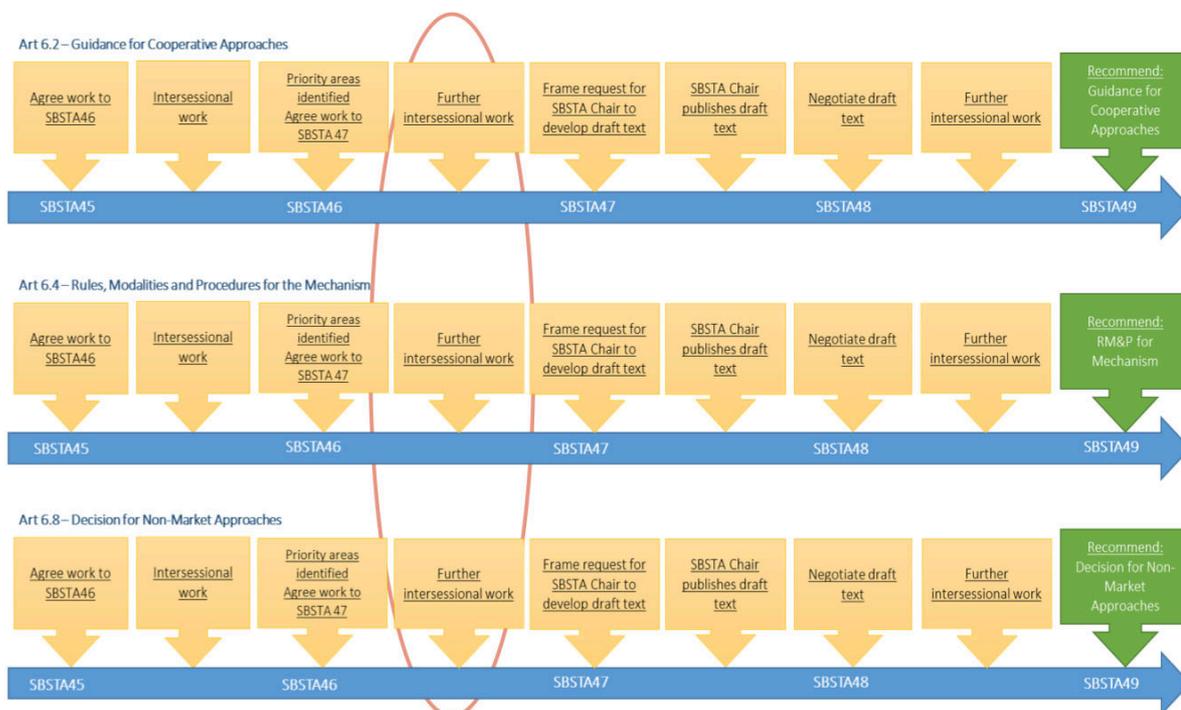


Figure 1: Co-facilitators’ informal work plan – Where are we now? Source: Philip Eyre (UNFCCC Secretariat)

Next, discussants addressed the issue of environmental integrity. One participant suggested that the concept should be expanded from “a ton is a ton” to “a ton is a ton that is compatible with the 2°C limit”. In his view, given the very different structure of the Paris Agreement when compared to the Kyoto Protocol, mechanisms need to reflect and support this different structure of continuously enhanced ambition. What was needed accordingly is to make sure that Art. 6 mechanism do not stand in the way of achieving the 2°C target and at best should facilitate it. In this perspective, a Kyoto-like approach that locks in current NDCs would also lock-in a lot of hot air and ultimately make a deviation from a 3°C global warming pathway unnecessarily difficult, undermining the environmental integrity of the Paris Agreement.

Reacting to this, one participant suggested that mitigation units could have more than one dimension. Instead it may be worth thinking about three values included: a mitigation contribution, a climate finance contribution and a contribution to transformational change.

While the presenters had highlighted that there seems to be agreement that “robust accounting” was required, one participant questioned whether there is actually a common understanding of what that means. Responding to this question, it was noted that there was no agreement on that matter, yet. For some Parties, accounting is a matter of accurate book keeping of emissions and emission reductions. But this perspective does not cover the dynamic challenges described in the first presentation: how does an activity in period 1 relate to the ambition of NDCs in period 2?

3 Operationalizing Sustainable Development in Art. 6

3.1 Impulse Presentation

Karen Holm Olsen (UNEP DTU Partnership) began her presentation “Issues and Options to Promote Sustainable Development Through Article 6 of the Paris Agreement” by highlighting how the issue of sustainable development is much more prominently featured in the Paris Agreement (22 mentions) as opposed to the Kyoto Protocol (only 3 mentions). In the Kyoto Protocol, the notion of SD is utilized as a reassurance that climate change mitigation and development are not mutually exclusive. The connotations of SD have changed significantly in the Paris Agreement. SD co-benefits and SDGs are portrayed as drivers of climate change mitigation and sustainability is a safeguard for economic development.

With respect to Article 6, she further stated that each section of the article refers explicitly to sustainable development as the ultimate objective of the mechanism created. On Art. 6.4 and referring to §37b of the Paris Decisions, she highlighted that, according to her reading, the mandate for the modalities and procedures to incorporate “real, measurable, and long-term benefits related to the mitigation of climate” would also apply to sustainable development benefits and not exclusively to GHG abatement.

Integrating the SDGs and PA for enhanced ambition

Furthermore, Olsen presented three meeting points for integrating the SDGs and PA for enhanced ambition:

- Multi-dimensional climate and development benefits with synergies like enhanced ambition for sustainability transition as well as trade-offs like “cap on development” and “competition for limited global carbon budget”.
- National strategies for climate and development. The Paris Agreement has NDCs and a call for long-term low-carbon development strategies. Agenda 2030 has 15-year SD strategies that should provide national roadmaps and coordinate stakeholders for collective action. Olsen underlines the importance that both agreements respect and build on national sovereignty.
- Cooperative mechanisms under Article 6. Sustainable Development is the ultimate objective of all mechanisms and “shall” be promoted.

Lessons learned from the CDM SD tool

Next, a brief overview of various SD provisions was given summarizing the CDM SD tool, the Gold Standard approach to SD certification, the NAMA SD tool and guidance currently being developed under the Initiative for Climate Action Transparency (ICAT). She highlighted the shortcomings of the CDM SD tool, including no coverage of negative impacts, missing safeguards, no monitoring and evaluation, no

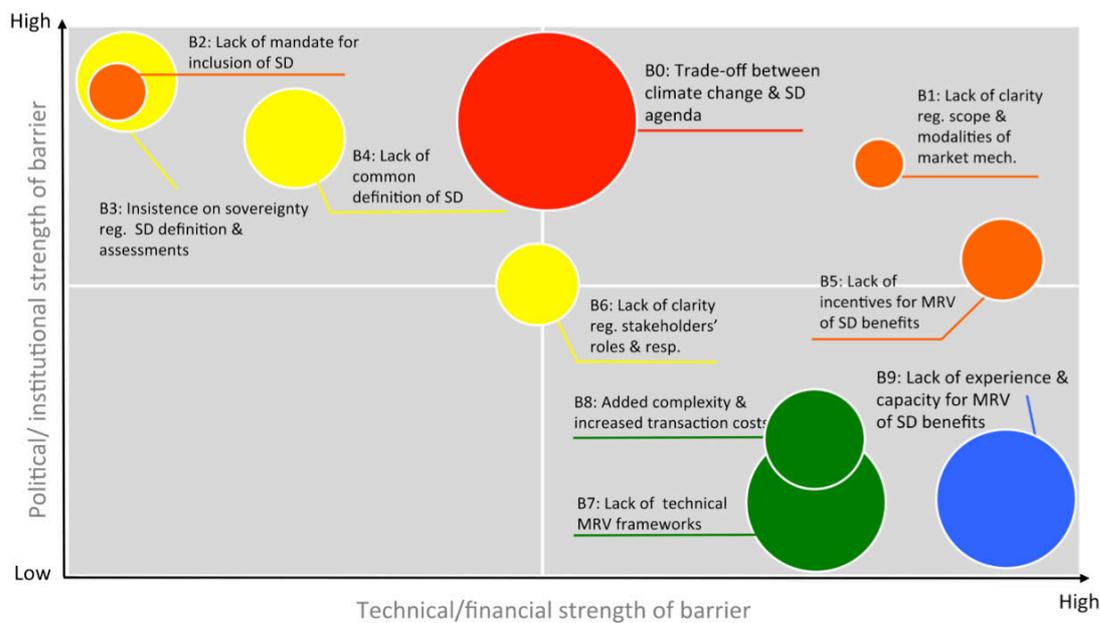


Figure 2: Barriers to sustainable development assessment in Article 6. *Source: Dransfeld et al. (2017)*

stakeholder consultation requirements, nor a grievance mechanism. Inclusion of these elements should be considered for a transition of the CDM under Article 6.4.²

Barriers to SD assessment in Article 6

Ms. Olsen referred to work conducted by Dransfeld et al. (2017), cp. figure 2 above, that categorized barriers to introducing SD assessment according to their relative strength in terms of political and institutional resistance vs. technical / financial challenges. In particular the political barriers may be more easily addressed now that the Sustainable Development Goals have de facto established a universal international framework for sustainable development.

Options to promote SD in Article 6

Wrapping up her presentation, Ms. Olsen presented a list of seven elements for SD assessment that could be used for Art. 6:

- A unitary SDG indicator framework
- Monitoring and reporting guidance that is to be provided by the implementing entity of mitigation activities
- Review and verification of claims by third party auditors
- No-harm safeguards
- Stakeholder participation and a institutionalized grievance mechanism
- Standardized methods for quantification of SD impacts
- Certification of SD impacts

This list was presented as critical input for the subsequent group discussions which addressed the following overarching question: How can Article 6 SD provisions best be differentiated and operationalized across the various forms of international cooperative climate action?

² For further reading see Olsen, Arens and Mersmann (2017)

4 In-depth Group Discussion

To date, not one clear concept of how Article 6 mechanism(s) can come into being has crystallized. Instead, a wide range of different approaches are being discussed, ranging from project-based mechanisms, to policy or sectoral instruments and even to linking of existing emission trading schemes. In order to advance the discussions of SD provisions to a more concrete level, the workshop participants were separated into three breakout groups, each discussing one example of how Article 6 could be applied: a project-based type activity much like the CDM or JI, a policy-based scheme in which one country supports another country by contributing financially to an existing renewable energy feed-in tariff, and last but not least the linking of two national / regional ETs. The discussions were intended to identify the promise and potential but also the limitations of SD provisions at the international level.

Each of the three groups discussed each example for 15 minutes. After that, the groups rotated to the next issue table. For each issue, a rapporteur remained at the table and took notes of the discussion. The key results of the discussions are synthesized for each example below.

4.1 Project-Based Activities

Discussions under this heading did not focus on the question *how* sustainable development aspects could be assessed, as this seemed clear to most participants from the experience with the CDM so far. The debate therefore reviewed merely the elements of possible SD assessments as presented by Karen Holm Olsen. When asked to prioritize, many participants regarded “no-harm safeguards” as a must, indicating that the avoidance of negative effects of

mitigation activities is of crucial importance. The safeguard systems of multilateral finance institutions were discussed in this context, such as the sustainability framework of the International Finance Corporation. Some also pointed to possible trade-offs, for example possible conflicts between food security and the cultivation of biomass as energy source.

Some participants also discussed whether or not SD assessments in general should be part of the Art. 6 rulebook. While some argued that this was a key element mentioned in Art. 6.1 and therefore needed operationalization, others pointed to the conflicts known from the CDM which had surfaced in the Art. 6 negotiations again. They were sceptical about the feasibility of getting concrete SD provisions included in the Art. 6 rulebook, but instead underlined the strong role that buyers of certificates hold. If the host country clearly stated its development priorities and aligned its climate and development policies accordingly, then this would leave ideal entry points for interested investors (buyers), which could then find the right conditions for mitigation actions with high sustainable development benefits. This unilateral, voluntary action by buyers could be supported by best practices and – possibly methodology-related – examples collated at the international level.

4.2 Policy-based Instrument: A Co-financed Renewable Feed-in Tariff

The discussions were initiated by a brief introduction to the example. The basic design of the instrument would work as follows:

1. Country A commits to provide an amount of money to support Country B.
2. Country B uses the money to top up the rate of an existing FIT scheme.
3. The higher rate would incentivize enhanced deployment of renewable energy.
4. The two countries would negotiate a share-out of the emission reductions resulting from the installations benefitting from the FIT.

The question discussed by participants was, how in such a bilateral arrangement aspects of sustainable development could be adequately addressed.

While the first two groups had rather similar discussions, the third group approached the issue from a very different perspective. The first two groups quickly agreed that managing SD implications would have to occur at the level of the individual installation benefitting from the FIT. The requirements would probably have to be specified for different types of projects / types of renewables. The approach could be implemented e.g. by the host country introducing legal requirements for projects applying for the FIT, in order to demonstrate how they made sure the proposed project did no harm with respect to SDGs and / or how it contributed positively to certain SDGs.

One participant even suggested that there could be room for a differentiated FIT premium based on the SD benefits provided. For example, projects that serve underrepresented communities or marginalized groups and hence will likely generate larger SD benefits could receive a higher premium than otherwise comparable projects.

Participants highlighted one potential area of conflict regarding the prioritization of some SD aspects over others. On the one hand, donor countries usually set their own priorities, partly because they also must document to their home constituencies that they spend public

funds effectively and do not “waste” them. Contrary to that, the spirit of the SDGs requires nation states to develop their own national SDG agendas and set their own priorities. When it comes to assessing SD impacts of the FIT scheme and even more when it comes to directing funds towards projects / activities with particularly high SD benefits, some form of setting priorities will be necessary. In the proposed bilateral arrangement, most likely, both donor and host country will have to agree to a common approach.

Another aspect that was highlighted in the discussions is that donor countries are to some extent responsible also to provide funds for SD assessments. In practical terms, if Country A has committed to provide USD 10 million to the FIT scheme, it has to decide whether the full amount is spent to finance RE projects or whether a share of the money is used to evaluate SD benefits and to make sure that SD benefits are maximized.

The third group contradicted the conclusions of the previous two groups by highlighting that SD assessment could be dealt with at the level of the instrument, in this case at the policy level. For example, it could be addressed by a sampling approach. Also, participants highlighted that there should not be SD management at the level of individual installations. Also, SD safeguards and / or minimum requirements should be addressed at the policy level and ex ante, e.g. by developing positive lists of technologies and / or excluding problematic project types from the scheme.

All groups agreed, though, that the proposed policy-based instrument would require bilateral negotiations. Developing clear guidance from the international level for how these negotiations should be structured and what should be included was considered very difficult. In essence, the guidance could at best be related to process and require / recommend transparency

on the reasoning as well as the results of prioritization of SD aspects at the national level.

4.3 Linking of Emissions Trading Schemes

The discussions in the three groups on ETS linking strongly differed.

Participants in the first group highlighted that there usually were two elements in domestic ETS, the allowance market and the domestic offset market. Participants suggested that SD assessment would be easier for domestic offsets.

Participants in the first group also noted that this type of cooperation was very different from the other two discussed at the workshop, projects and policies. While these two types were about specific interventions, linking ETS was about setting a price on emissions and it would not be known which investments would thereby be triggered. Participants therefore suggested that there should be minimum requirements for all installations covered by an ETS, for example on industrial pollution. Participants suggested that countries linking their ETS should provide information on their industrial pollution standards. A further thought was whether there could be international model laws reflecting best practice.

Participants in the other two groups highlighted that domestic ETS were domestic policies and thus questioned whether there was a mandate for UNFCCC oversight. Moreover, linking would not create new policies, just modify existing policies. Any impact of the ETS would therefore largely be present already before linking. Participants also noted that emission allowances were not mitigation outcomes, the mitigation outcome was the result of the cap-setting.

One participant suggested that ETS auctioning revenues could be earmarked for promoting SD.

Another participant suggested that SD was maybe most relevant for Article 6.8, which provided a mandate for all sorts of measures that might promote SD.

Another participant noted that promoting SD should apply to all partners of a cooperation under Article 6, not just the host country. He questioned whether buying units of reducing one's own emissions wasn't delaying the buyer's own sustainable development.

5 Conclusion and Outlook

The workshop started out with reviewing the state of the art of Article 6 negotiations as well as conceptual advancements made in recent submissions. From this, three key issues emerged that require further attention: (1) the static challenge of how robust book keeping can ensure that the utilization of Art. 6 cooperation does not undermine the attainment of current NDCs. (2) The dynamic challenge of how Art. 6 relates to future NDCs, that is how can Art. 6 contribute to ambition raising. And (3) the prominent role of sustainable development in the context of the Paris Agreement and in particular in the Article 6 mechanisms. The legacy of difficult negotiations on SD provisions with the Kyoto mechanisms still looms large. On the other hand, the adoption of the SDGs may provide some leverage to overcome the challenges of the past.

The latter issue was addressed in more detail in the afternoon session of the workshop. The impulse presentation by Karen Holm Olsen clearly highlighted the strong mandate for sustainable development provisions as derived from the

Paris Agreement itself and the corresponding COP decisions. This strong role is also reflected in the submissions by many Parties.

One element that was consistently discussed across all groups relates to minimum requirements. At the very least, there should be provisions in the form of safeguards in place ensuring that activities related to Art. 6 do not harm SDGs and do not violate human rights.

Beyond this, it became quite clear that a further operationalization of SD provisions will be challenging at least as long as the design of different forms of cooperation is as uncharted as it is today.

The operationalization is particularly challenging also, because at the national level alignment of NDCs and SDGs has not happened in most cases. Participants agreed that such an alignment / integration would greatly benefit also the applicability of Art. 6 as a driver for sustainable development.

In the absence of international guidance on sustainable development in the context of Art.

The following questions were brought up throughout the workshop directly or relate to issues that were highlighted by participants:

- Various submissions highlight that PARTIES should demonstrate how Art. 6 contributes to sustainable development. How can this be operationalized? A “piecemeal” approach in which parties define their national priorities within the internationally agreed SDG framework could be worth exploring in this regard.
- Is the responsibility to demonstrate SD contributions a responsibility only for host countries or are buyers also responsible?
- Is buyer responsibility a purely moral responsibility or can/should it be also a legal one?
- At what level should SD impacts be assessed, national or installation level?
- What needs to be in the text of the rulebook and how detailed can it be given the limitations of the limited remaining negotiation time?
- The workshop displayed the very diverse requirements for the different forms of international cooperation (project-based, policy-based, ETS linking). To what extent can and should this diversity be reflected in the rulebook?
- How can the SDG framework provide a structure for ex-ante impact assessment for (internationally supported) policies? And how can it serve as a framework for evaluating those impacts ex post?

6, various participants highlighted the role of the buyer and his or her responsibility in ensuring strong sustainable development benefits.

Apart from all content discussion, it was noted that the views presented at the workshop represented a fairly limited euro-centric perspective. As one participant with insights from the on-going negotiations highlighted: "What countries would accept in the negotiations differs a lot from what is discussed in the breakout groups of the workshop". There is hence a need to reconnect the discussion at the workshop in Berlin with international discussions and in particular bring in perspectives of potential host countries.

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