Informal dialogue on implementation of Article 6 in the Paris Agreement

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Focus of discussions

Issues to be discussed in Bonn at SBS44 …and beyond

• Provisions in Article 6 that may require clarification, and implications
• Article 6 linkages to other parts of the Paris Agreement, and the implications of these linkages
Article 6 in the context of the PA

- Direct/literal (narrow?) interpretation
- Broad/lateral/horizontal interpretation

What do we examine?
- What we know/”generally accepted”
- Issues for clarification/”what we don’t know”

What do we base on:
- Institutional history from negotiations
  November 2014 : Brazil submission
  December 5 – Draft AP, ADP to COP
  December 9: Panama, AOSIS,
  December 9 & 10: Draft PA, Committee de Paris
  November 10, 2015: Draft PA
  December 8: EU-Brazil submission
  LMDC submissions
  December 12: Final PA

It’s a negotiation for next level of detail!!
Article 6 in the context of the PA

Linkages:

• Direct linkages (directly referred in Article). Provisions in Decision xxx: paragraphs 37-41

• Indirect linkages (that can be seen from provisions in Article 6).
  • Articles 4 (Mitigation – accounting)
  • Article 13 (Transparency)
  • Article 15 (Compliance)
Components of Article 6

- General provision on international cooperation (paragraph 6.1)
- ITMOs (internationally transferred mitigation outcomes) which refers to cases of voluntary cooperation between Parties that result in mitigation outcomes being transferred internationally, for use towards NDCs (paragraphs 6.2 & 6.3)  
  Note: Alternative 1 is a preamble of 2
- Mechanism that will produce mitigation outcomes under the authority of the CMA (paragraphs 6.4-6.7), which can then be used towards NDCs.
- Non-market approaches, which will contribute to the implementation of NDCs (paragraphs 6.8 & 6.9).

Alternative: Based on functionality
- Market provisions (paragraphs 6.2-6.4 and 6.6-6.7)
- Solidarity provisions (paragraph 6.5)
- Non-market approaches (paragraphs 6.8 & 6.9)
Components of Article 6 – Possible Decisions

Article 6 can be expected to result in 3 decisions:

• On internationally transferred mitigation outcomes (ITMOs)
• On the Mitigation mechanism under the authority of the UNFCCC
• On non-market approaches

Common issues (horizontal):

• Sustainable Development
• Environmental Integrity
• Accounting, including the avoidance of double counting
Article 6 in the context of the PA

Entry into force

• PA may enter into force 2016/2017 – need for accelerated implementation of the work program

Process-related implications

• Two areas for PA negotiations: markets and non-markets.
• Balance was needed and expected
• Same issue under SB: FVA/NMM/NMA
• This is implementation and not negotiations for inclusion in PA
  • Different set of knowledge
  • Skill
• Different negotiators needed for the two issues?
• How to structure discussions?
“ITMO” decision

- Articles 6.2 & 6.3
- 2 “shall” articles
  - It “shall” ensure that it promotes sustainable development and ensure environmental integrity and transparency, including in governance
  - It “shall” apply accounting consistent with guidance developed by the SBSTA, including ensuring the avoidance of double counting

“Generally accepted” provisions

1. Recognize cooperation between Parties, not a function of approval by the CMA.
2. Place no restrictions on the type of cooperation that may result in ITMOs that can be used towards NDCs. This cooperation may, therefore, take any form:
   - Bilateral, plurilateral, and possibly (?) multilateral cooperation.
   - Linking of cap and trade systems, or other types of trading systems
   - The transfer of units, or blocks of mitigation, resulting from cooperation between Parties (e.g. Joint Crediting Mechanisms created by Japan)
   - No limitation to GHG
“ITMO” decision - continued

3. Cooperation needs to be approved by the Parties involved.

4. In order for ITMOs to be usable towards NDCs, the Parties involved “shall” develop accounting systems that will be consistent with accounting guidance developed by the SBSTA.

5. In order for ITMOs to be counted towards NDCs the Parties involved will “promote sustainable development and ensure environmental integrity, including transparency”.

Issues for clarification

Implications for governance: from totally decentralized to shades of KP

Provisions that simply need interpretation – maybe simple, but needed

1. Any interpretation that would require/allow the CMA to develop and operationalize sustainable development and environmental integrity, as referred to in Article 6.2 under Article 4.13?

2. There is no work program under SBSTA for “transparency, including in governance.” However, can it be considered that there is a mandate under paragraph 13.13?

3. Article 6.2 has no provisions for compliance. Can there be one under under Article 15 of the PA, operationalized under paragraph 104 of the Decision?
Decision on Sustainable Mitigation Mechanism (SMM)

Provisions in SMM – “generally accepted”

• The SMM is under the authority of the CMA. A body designated by the CMA will supervise it.
• There are no restrictions on where it can produce mitigation outcomes.
• There are no restrictions on who can use the mitigation outcomes resulting from SMM
• There are no specific provision on supplementarity.
• The private sector can participate under the authority of the Party
• M&P will be developed under SBSTA and will consider the experience of the KP mechanisms.
• Paragraph 38 (d) describes additionality - is SMM to be seen as a baseline& credit mechanism
• Article 6.6 of the PA refers to a share of proceeds from the activities of the SSM will be devoted to the administration of the mechanism and to adaptation.
• There is a reference to “overall net mitigation in global emissions”.
Decision on Sustainable Mitigation Mechanism (SMM)

Issues for clarification

1. Do Articles 6.4-6.7 refer to one, or more than one mechanism, or windows?
   - Broad reference to mitigation
   - Different M&P for different NDCs – different SMMs?
   - Relationship with Article 5

2. “Overall mitigation in global emissions” concept needs to be explained in order to be operationalized.
   - Where does “net mitigation” take place?
   - Implications for accounting

3. Relationship between Articles 6.4-6.7 and Article 6.2-6.3.
   - “ITMO paras” transfers only
   - “SMM paras” for all baseline and credit – implication? JCM under 6.4!!
What did Bonn May 2016 bring?

Issues being raised:

• Some acceptance that the “WHATs” matter – but no real acceptance
• Continuing push to avoid discussion of matters “not generally agree
• Clear concerns that some Parties are trying to narrow the discussion
• The issue of Article 6.1 as more than an introduction
• Many Parties see Art 6 as a residual to be solved AFTER other parts of the PA are addressed
• Debate on connection between 6.2 and 6.3
• Agreement that in Marrakech we should address political and technical problems
Decision on “Non Market Approaches”

- P
Decision on “Non Market Approaches”

- P
Decision on “Non Market Approaches”

- P