

PMR TECHNICAL WORKSHOP

Implications of the Paris Agreement on PMR Activities

Session 3: Dialogue session

Implications for the PMR relating to cooperative approaches, accounting and climate finance

□ Objective

Article 6 of the Paris Agreement on cooperative approaches, together with various provisions on accounting and climate finance, address approaches that are directly relevant to a large part of the PMR's work. Participants will identify and discuss any new opportunities for the PMR, any reasons to adjust PMR priorities, and any concrete recommendations and next steps.

The ideas presented here are intended to stimulate a discussion among participants. As such, a spectrum of options have been presented which therefore do not represent proposals from the PMR Secretariat and may not all be feasible. In each case, there are pros and cons that should be considered in more depth.

□ Instructions

Participants are asked to join a table discussing one of the three following topics, and further presented below: (1) ITMOs and accounting issues; (2) Article 6 mechanism and crediting; and (3) Climate finance. Each group will nominate a person to report back on the discussion of that topic. After 30 minutes of discussion, participants are asked to choose another topic table, except for the person selected to report back, who will stay and brief the next group on the discussions of the previous group so that their discussion can build on those before them. After a second round of 30 minutes, each table will report back to the plenary. Groups will be facilitated by an expert or member of the PMR Secretariat.

For each of the idea starters below, please discuss and answer the following questions:

- What are the benefits and risks of taking the action?
- How should the idea be modified? What specific issues or activities should be included?
- What next steps should be taken to advance the action, if any?

Please be encouraged to add further ideas and develop them in the group!

□ **Topic 1 – ITMOs and accounting issues**

1. The issue of international transfers of mitigation outcomes (ITMOs) will be crucial in designing and implementing many carbon pricing instruments. Basic accounting rules are expected to be put in place under the UNFCCC for ITMOs. These basic rules may be built upon by groups of countries interested in trading among themselves (“clubs”) or interested in facilitating the market, by developing common standards, rules or best practices, such as those addressing MRV, allocation methods, stakeholder consultation or many other areas. The PMR could prepare inputs to the UNFCCC work programs on accounting rules and/or develop a set of complementary common standards, rules or best practices to facilitate linking and trading. Such work could be analytical in nature and need not imply mandatory application in PMR countries.
2. An alternative could be to prepare one or more analytical or synthesis paper(s) on the needs of market instruments for accounting. This could focus on transactions, unit features, double-entry bookkeeping and tracking registries and could also address linkages with NDC accounting and take account of subnational and city-level instruments. This paper(s) could draw on PMR technical guidance and practical examples and experience from PMR countries. It could be beneficial for the UNFCCC to see examples of how accounting can work in practice. Any such paper(s) could be made accessible to a wide audience and available to relevant UNFCCC work programs. PMR countries could additionally make joint submissions under the relevant UNFCCC work programs.
3. The PMR could also prepare one or more analytical or synthesis paper(s) specifically on other issues mentioned in Paris Agreement that countries need to regulate without necessarily agreeing guidance under the UNFCCC. These could include in regards to sustainable development, environmental integrity and transparency, including on governance, and could draw on PMR technical guidance and practical examples and experience from PMR countries. Any such paper(s) could be made accessible to a wide audience.

□ **Topic 2 – Article 6 mechanism and crediting**

1. The provisions in the Paris Agreement on the Article 6 mechanism give a basis to establish a UNFCCC-governed crediting mechanism. The immediate TWP priorities of baseline setting at the aggregate level (including in relation to the interaction with other policy instruments), MRV approaches beyond the facility level, and demand sources for scaled-up crediting systems are likely to be relevant to this mechanisms, as well as, to countries wishing to use ITMOs. However, it may take some years to complete the rules, modalities and procedures for this mechanism under the UNFCCC. In advance of clarity on the Article 6 mechanism, the readiness work under the PMR on offsetting/crediting can continue on a “no regrets” basis, given that such readiness is applicable to multiple purposes and much of it can also strengthen how countries work with the Article 6 mechanism. Nevertheless, the need for such clarity will become more urgent as the implementation phase of the MRPs becomes more advanced.
2. In view of the continuing uncertainty with respect to the specific implementation details of the Article 6 mechanism, the PMR could:
 - Include under the TWP aspects of the Article 6 mechanism that are not yet being addressed by the PMR. This may include technical options for ensuring crediting systems result in an overall mitigation of emissions and for ensuring the avoidance of double counting;

- Conduct work to help Participants understand the choice between undertaking crediting activities under the Article 6 mechanism versus undertaking them through crediting systems implemented at their own national level and using ITMOs to trade.
3. Given the increasing urgency of the need to know the implementation details of the Article 6 mechanism, the PMR could contribute to the UNFCCC work program on the rules, modalities and procedures for the mechanism. For example, the PMR could:
- Prepare analytical inputs to the UNFCCC work program on the Article 6 mechanism, building on work undertaken under the PMR;
 - Alternatively, prepare one or more synthesis paper(s) on aspects of crediting system design relevant to the Article 6 mechanism, drawing on technical guidance and practical examples and experience from PMR countries. Any such paper(s) could be made accessible to a wide audience and available to relevant UNFCCC work programs;
 - In addition, PMR countries could make joint submissions under the relevant UNFCCC work programs;
 - Pursue opportunities to build understanding and support for approaches under development by ICPs among policy makers and negotiators engaged in developing the rules for the Article 6 mechanism, for example through conducting workshops and outreach to demonstrate the directions that ICPs are taking and their justification.

□ **Topic 3 – Climate finance**

1. The formal recognition in Paris of finance from sources other than public funds brings an acceptance of private sector finance and the potential for mobilizing finance through carbon pricing. At the same time, the need for clarity of emissions impacts is likely to drive more finance into results-based frameworks. In this context, the PMR can continue to explore the linkages between carbon pricing and results-based finance. The PMR could strengthen this work by facilitating a dialogue with stakeholders, in a manner which benefits all participants, such as with:
 - Climate finance suppliers engaging in results-based approaches on the interaction of results-based finance and crediting systems;
 - Private investors on the design of carbon pricing instruments and readiness activities that can provide enabling environments for investment in ICPs.
2. Under the transparency framework of the Paris Agreement, countries will need to quantify the finance and other support provided, including through mechanisms. The PMR could partner with others to undertake analytical work on possible approaches for such quantification with regard to mechanisms and to help build capacity among ICPs to enable reporting.