

ICAP & PMI East Asia and Pacific ETS Training Course

Bangkok, 16 – 20 May 2022



Session: Operationalisation of Article 6

Fri, 20 October 2023

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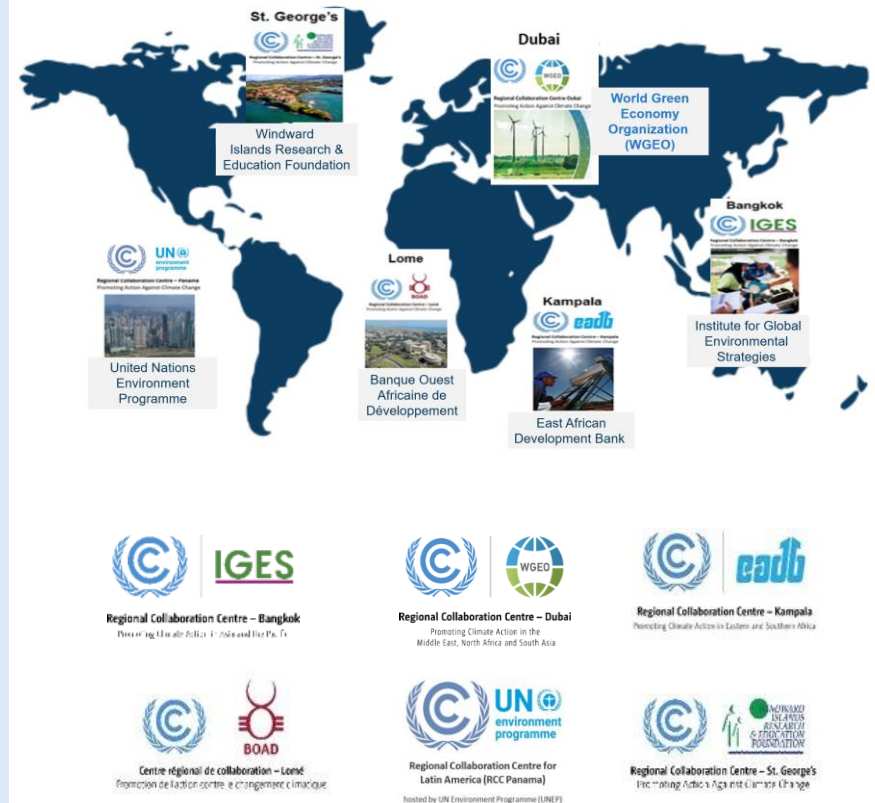


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Regional Collaboration Centre – Bangkok
Promoting Climate Action in Asia and the Pacific

Maps and Regions of the RCCs

- **RCC Asia-Pacific** supports 40 countries from Asia and the Pacific (Hosted by IGES)
- **RCC MENA-South Asia** supports 22 Arab States and 8 South Asian countries (Hosted by WGEO)
- **RCC East Africa** supports 19 countries in Eastern and Southern Africa (Hosted by EADB)
- **RCC West Africa** supports 26 countries in 15 ECOWAS member states and 11 francophone countries (Hosted by BOAD)
- **RCC Latin America** provides support to 17 Latin American countries (Hosted by UNEP)
- **RCC Caribbean** supports 16 countries in the Caribbean region (Hosted by WINDREF)



Article 6 Capacity Building Programme

Article 6.2 – Capacity Building Programme including through RCCs in consultation with Parties

- Support the development of institutional arrangements, including reporting
- Help Parties ensure that cooperative approaches support ambition;
- Assist the LDCs and SIDs in meeting the participation requirement

Article 6.4 – Capacity Building Programme including RCC in consultation with 6.4 SB and Parties

- Establish then necessary institutional arrangements to implement the requirement
- Develop the technical capacity to design and set baselines for application in host Parties;
- Capacity-building in development countries to apply the Article 6.4 mechanism, and support for the transition

Capacity-building Needs

Mandated:

To assist Parties in ...

- The development of **institutional arrangements**, including for reporting;
- Ensuring that cooperative approaches **support ambition**;
- Meeting **participation requirements**;
- Development of technical capacity to design and set **baselines** for application in host Parties;
- Applying the Article 6.4 mechanism, and **support for the transition**

Additional Needs (reported, identified):

- **National institutional arrangements** for approval and authorisation, including DNA set up and operation;
- Approval of standards for participating in **Art. 6.2 transactions**;
- Building capacity for **human resources**: Identification of potential projects, assessment and approval, authorization;
- Involvement in the validation and verification process
- **Technical elements**: Baseline setting, Development of Standardized Baselines, Additionality assessment, Crediting period, Positive lists
- **Reporting and accounting**: registries, database, domestic infrastructure to track and record transactions; manage and report on all activities in relation to the carbon market;
- Transition of CDM activities and CERs;
- Interlinkages with the NDC, LT-LEDS, etc. and understanding of meeting **NDC targets** (to participate in Article 6 activities)
- sustainable development indicators taking into account host country prerogatives
- Stakeholder awareness



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Article 6 of Paris Agreement

- **Article 6 of the Paris Agreement** allows Parties to engage in **international voluntary cooperation in the implementation of their climate plans and targets** with the objective to allow for higher ambition and promote sustainable development and environmental integrity, **including through the use of market-based approaches**.
- Article 6 of the Paris Agreement **consists of three components**:
 1. **Cooperative approaches** that involves **the use of internationally transferred mitigation outcomes (ITMOs)** (**Article 6.2**)
 2. A mechanism to **contribute to the mitigation of greenhouse gas emissions and support sustainable development** established by Article 6.4 of the Paris Agreement (**Article 6.4 Mechanism**)
 3. A **framework for non-market approaches** to sustainable development (**Article 6.8**)



Article 6: co-operation towards NDCs

Cooperative approaches

Articles 6.2 and 6.3 and decision 1/CP.21, paragraph 36

Bilateral/multilateral cooperation between interested countries, involving transfers of the mitigation outcomes produced through such cooperation

The mechanism

Articles 6.4 to 6.7 and decision 1/CP.21, paragraphs 37 and 38

To be **operated centrally** (UNFCCC secretariat), credits emission reductions by public and private sector actors, allows for international transfer of those credits

Framework for non-market approaches

Articles 6.8 and 6.9 and decision 1/CP.21, paragraphs 39 and 40

Facilitates climate action through international cooperation focused on sustainable development and poverty eradication (and **does not involve trading**)



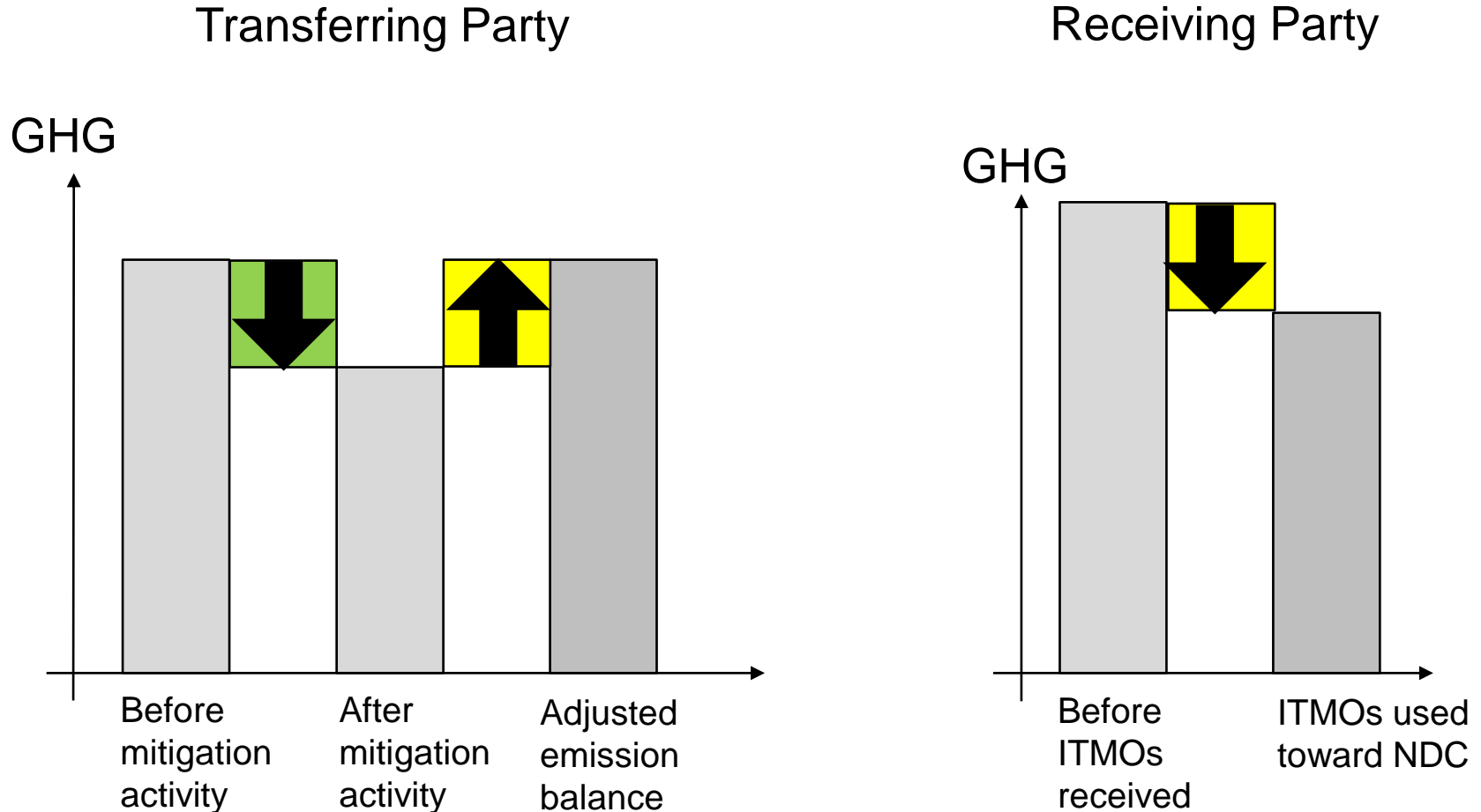
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Kyoto Protocol vs. Paris Agreement

Kyoto Protocol	Paris Agreement
<ul style="list-style-type: none">• Top-down approach• Developing countries do not have targets• Developing countries participated in the carbon market as hosts for CDM projects• Compliance risk for Annex 1 countries, no compliance risks for host countries (non-Annex 1)	<ul style="list-style-type: none">• Bottom-up approach• Developing countries commit through their NDCs• Developing countries have targets through their NDCs and can participate as sellers and buyers of mitigation outcomes• Participating countries report to UNFCCC ex post on how mitigation actions contributed to the NDCs of both host and partner country and on consistency with sustainable development and environment integrity requirements



Corresponding adjustments



Adapted from UNDP/Learning from nature course "Operationalizing Article 6.2 of the Paris Agreement: Achieving ambitious climate action through cooperative approaches"



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Article 6.4 Mechanism



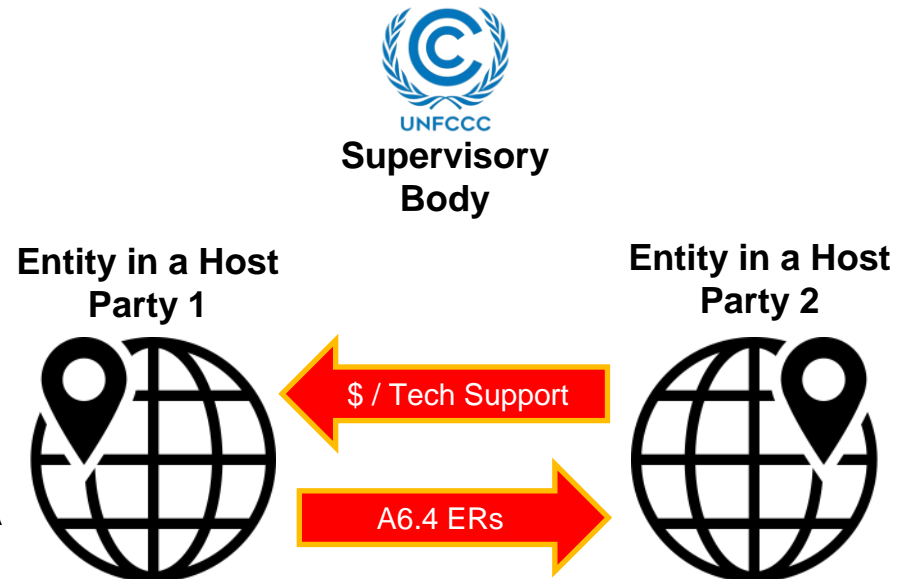
“A mechanism to contribute to the **mitigation of greenhouse gas emissions** and **support sustainable development** is hereby established under the authority and guidance of the CMA for use by Parties on a voluntary basis”

“It shall be **supervised by a body** designated by the CMA...”

- Article 6.4(b) of the Paris Agreement “participation in the mitigation of greenhouse gas emissions (reduction/removals) by public and private entities authorized by a Party”
- **Certificates from the Art 6.4 Activity**
Art 6.4 ERs

Art 6.4 Governance

- Supervisory Body (SB) reporting to CMA
- National level – Art 6.4 DNA



Markets and non-markets in the Paris Agreement

❖ Aim of the Paris Agreement

- Holding increase in global temperature to well below 2°C and try to limit to 1.5 °C
- Achieving a balance of emissions and removals
- **Art.6 approaches are tools** to support the achievement of these goals

❖ Ambition in NDCs

- NDCs reflecting highest possible ambition
- Markets should **support, not undermine** that ambition

❖ Progression of NDCs over time

- Each new NDC should show progression in the contribution
- Market should **not discourage** progression

Scope of the Article 6 activities

EMISSION REDUCTIONS

Can come from **all sectors**, including nature-based solutions, for example:



Transition to Renewable Energy



Reducing emissions from deforestation;
Reducing emissions from degradation;
Sustainable management of forests



Energy Efficiency



Transition to Electric Vehicles

REMOVALS

Can come from engineered solutions and from enhancing carbon sinks, for example:



Engineered Carbon Removal Technology:
Direct Air Capture & Storage



Enhancement of Forest Carbon Stock:
Afforestation
Reforestation

Adaptation, Mitigation and MoI – Without trading of emissions

Can include all types of co-operation without transfer of mitigation outcomes



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Eligibility for CDM – Art.6 transition – Project Activities & PoAs

Activity Type

- Shall be among those **indicated publicly by the host party** to the Supervisory Body

Crediting Period/PoA period

- **Active as of 1 Jan 2021**
- Ends either at the end of the current CDM CP/PoA period or 31 Dec 2025 (whichever is earlier) or as specified by the host party
- Type (renewable or fixed) – not to change at or after transition
- Renewals - carry over from CDM unless the Host Party specifies non-renewal

Additional activity design requirements

- Long-term benefits to climate change
- Addressing non-permanence (all types of activities) – analysis of risks and planned monitoring and counter measures
- Social impacts

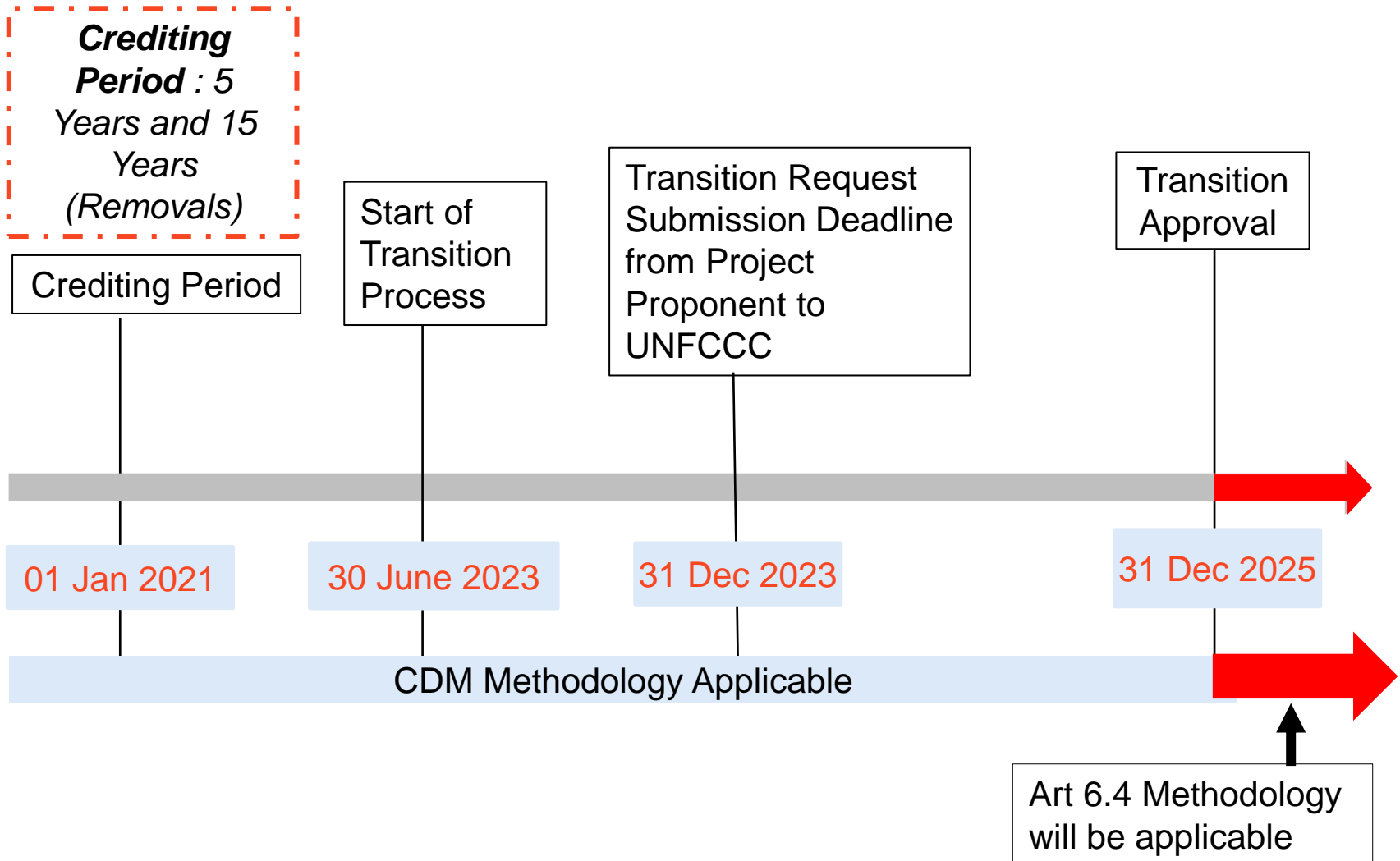
Submission of transition request

- Submission of the form to the SB by **31 Dec 2023**



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Important Timelines CDM Project Activity or POA : Transition



Art.6 - Pending items

- **Infrastructure**, as well as **reporting and reviewing**, will still be topics of discussion at future COPs due to the many open points present.
- CMA5 as the intended deadline to finalize a recommendation on the **agreed electronic format**
- creation of a first version of the **centralized accounting and reporting platform** and the Article 6 database with a deadline of June 2024, and a detailed list of requirements is expected from the secretariat for parties to provide their views and inputs.
- request for the secretariat to implement the **international registry**, which is expected to be ready by 2024.
- “Initial Report” and “Biennial Transparency Report”: develop “**modalities for reviewing information** that is confidential”



Art.6 - Pending items

- Definitions of **removals** (Art.6.4)
- Even though some progress has been made by negotiators under Art.6, the approved texts on guidelines are still far from the final version.

Operationalizing Art.6

- Article 6 is not yet fully operative but actually some projects are in the agreement phase especially regarding bilateral cooperation under Art. 6.2.
- Understanding the interlinkages between Article 6 cooperation and host country NDC implementation **is crucial for ensuring that Article 6 cooperation contributes** to—and does not undermine—implementation of NDCs or the long term goals of the Paris Agreement. **National Article 6 strategies** and criteria should be developed in parallel with NDC implementation planning
- Art.6 Capacity Building



Bilateral International Carbon Agreements

Indo-Pacific Carbon Offsets Scheme

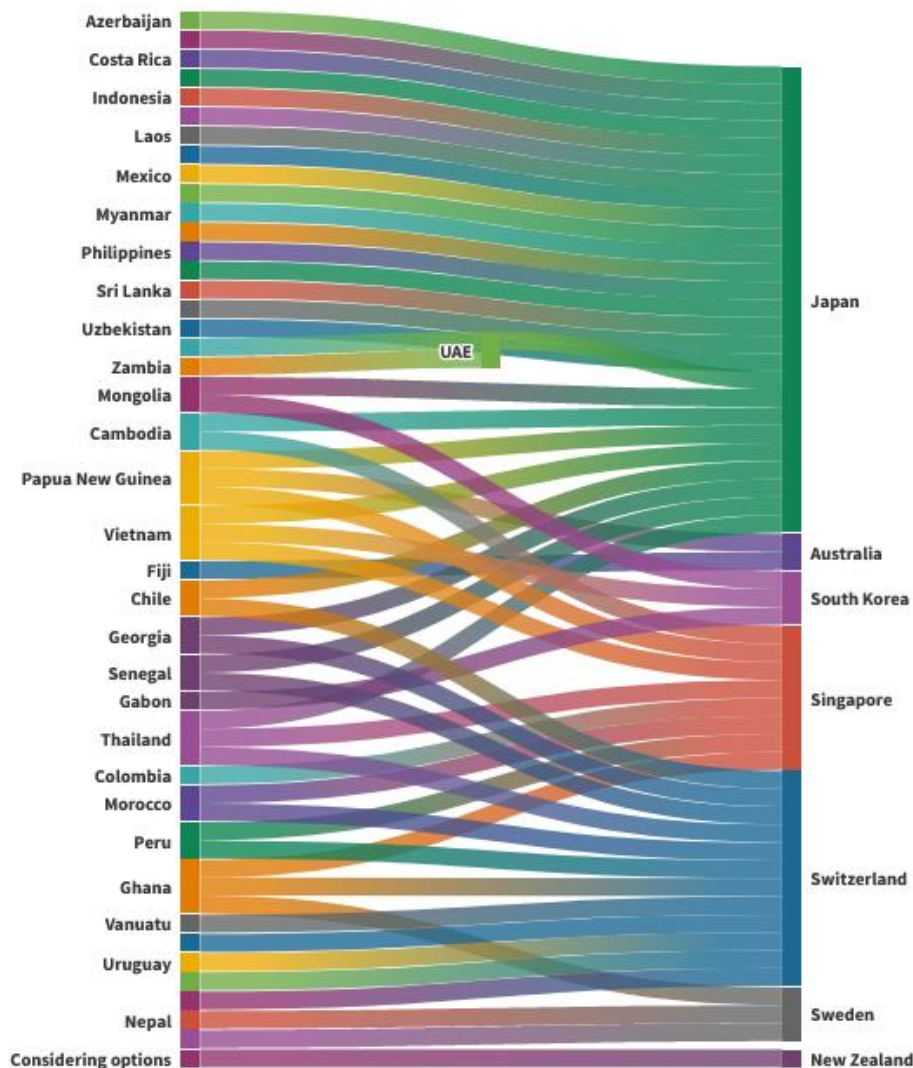
Scheme by the Australian Government to support climate action in the Indo-Pacific. Australia will partner with countries in the region to develop a carbon market that supports emissions reduction projects.

JCM

As of April 2023, JCM partnership document is signed by 26 countries.

The JCM aims to facilitate diffusion of leading decarbonizing technologies and infrastructure, etc., through investment by Japanese entities, thereby contributing to GHG emission reductions or removals and sustainable development in partner countries.

Art.6 cooperation, to develop projects under Art.6.2 of the Paris Agreement



Source: Carbon Pulse



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About carbon pricing and carbon markets

NDC achievement

Mandatory carbon pricing

Voluntary action

Party accounted emissions

Carbon taxes/fees
Emission Trading Systems (ETS)

Voluntary offsetting (e.g. by businesses and individuals)

Specifically designed activity approach for Article 6.2

Article 6.4

Out of the box
Project & programme-based approaches (carbon standards)



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Choice of A6.4ER: Mitigation contribution units (MCUs)

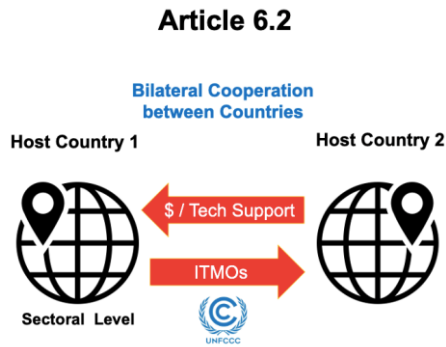
Mitigation contribution (Article 6.4 only):

=>do not require a corresponding adjustment and may be used, “inter alia, for results-based climate finance, **domestic mitigation pricing schemes**, or domestic price-based measures, for the purpose of contributing to the **reduction of emission levels in the Host party**”.

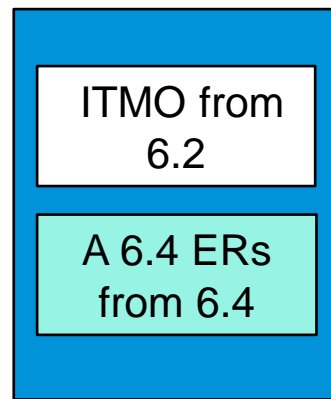
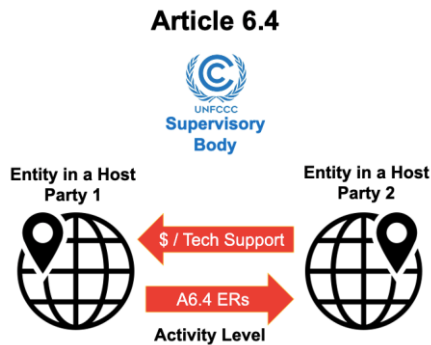
=> uses in other markets, such as in the voluntary carbon markets or domestic markets.

Article 6 Units	
6.2 ITMOs and 6.4 ITMOs/A6.4ERs (Authorized)	6.4 Mitigation Contribution Units (Non-Authorized)
<ul style="list-style-type: none"> ▪ Requires corresponding adjustments ▪ May be used towards achievement of NDCs ▪ uses in other markets, e.g., voluntary carbon markets ▪ Uses for other international mitigation purposes (e.g., CORSIA) 	<ul style="list-style-type: none"> ▪ Do not require a corresponding adjustment ▪ May be used, “inter alia, for results-based climate finance, domestic mitigation pricing schemes, or domestic price-based measures, for the purpose of contributing to the reduction of emission levels in the Host party”. ▪ uses in other markets, e.g., voluntary carbon markets or domestic markets.

Interplay / Reporting (6.4 & 6.2)

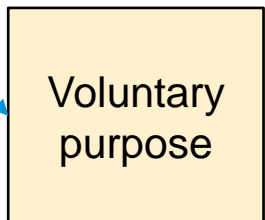
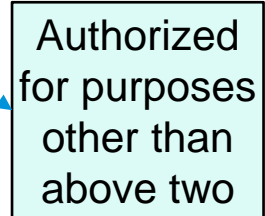


Mitigation Outcomes



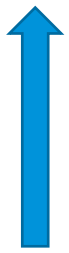
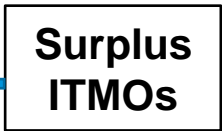
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NO



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Planned activities in 2023 – on Carbon Pricing and Art.6

- Support countries in **nominations of Art.6 DNAs** and support to eligible **projects to transition** from CDM to Art.6
- Side-events on Art.6 at the margins of Bonn Climate Change Conference SB58
- **Webinars and virtual workshops** on Art.6 topics
- **Hands-on training** at the **APCW** and at other regional events on topics: Art.6.2, Art.6.4 and Carbon Pricing (**13-17 Nov. 2023**) – these are back-to-back workshops on Art.6 capacity building and Carbon Pricing (REdiCAP):
 - provide understanding of options, foster an exchange of experience and regional-level discussion on the role of carbon pricing in national climate strategies
- **DNA hands-on training** on topics : systematic assessment of sustainable development in the context of national priorities;
- Continue to “**Assist Parties / Groups of Parties** in the development of carbon pricing approaches for implementing their NDC under the Paris Agreement and foster collaboration” → RCC is exploring interest in the AP region; Ws and “clinics”

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Thank You