The Mechanism under Article 6 of the Paris Agreement
Overview and update from SBSTA 44

Domestic offset projects for a climate neutral world workshop
Berlin, 27 September 2016
Recognises that Parties may cooperate in the implementation of their NDCs to allow for higher ambition.

Establishes **three instruments**:

- Transferred mitigation outcomes between authorizing Parties (ITMOs)
- A mechanism to contribute to mitigation and sustainable development
- A framework to allow for integration of differing aspects of action and support (non-market based approaches).

*Provides Parties with tools for the achievement of the long-term goals of the Agreement.*
General outcomes from SBSTA 44 in Bonn

- Parties engaged productively on the three areas/instruments of Article 6.

- Co-facilitators produced “Reflection Notes” under their own authority, with no formal status. Some Parties liked them, others did not.

- Parties developed SBSTA conclusions inviting submissions by 30 September 2016 and with agreement on where to focus for SBSTA 45.

Compilation of submissions into information (inf.) documents for SBSTA45
Guidance for Art 4.13 will cover how a Party will compare the emissions and removals covered by the sectors, gases and time period of their NDC to that NDC.

Guidance under Art 6.2 will provide for how a Party can use international transfer of mitigation outcomes (ITMOs) between participating Parties to demonstrate achievement of their NDC.

Art 4.13 and Art 6.2 are a “package”, 4.13 calculating a Party’s emissions and removals in comparison to their NDC and 6.2 for their adjustment for the use ITMOs.
Art 4.13 establishes general principles:

- Promoting environmental integrity,
- transparency,
- accuracy,
- completeness,
- comparability and consistency, and
- ensuring the avoidance of double counting

The use of ITMOs by Parties to demonstrate achievement of an NDC can be seen as part of the accounting rules for NDCs and subject to these principles.
Main issue: **scope of the guidance to be developed?** “Only accounting” or also environmental integrity, transparency and sustainable development?

Is quantification of NDCs going to be needed for “corresponding adjustment” through ITMOs?

ITMOs are units or non-unitized?

How to deal with different forms and types of NDCs?

Linkages to other articles in the Agreement
Article 6.4 - The Mechanism (I)

- Established under the authority and guidance of the CMA and supervised by a body appointed by the CMA (i.e. will have international oversight)

- Aims of the mechanism:
  - Promote mitigation while fostering sustainable development
  - Facilitate participation by authorized public and private entities
  - Contribute to emission reductions in the host Party that can be used by another Party to fulfil its NDC (but if so used, cannot also be used by the host Party for its NDC achievement)
  - Deliver overall mitigation in global emissions

- The mechanism is global in reach and all Parties can both host activities and use emission reductions to achieve NDCs
Emission reductions from the mechanism are to:
  - Be additional, real, measurable and long term from specific scopes of activities (not limited to projects and programmes)
  - Verified and certified by designated operational entities

The mechanism may not be limited to emission reductions that will be used for the achievement of NDCs (either of the host or another Party) only but could potentially be used for other purposes, such as MRV of climate finance

Lessons learned from CDM and JI to be taken into account
Article 6.4 – Update from SBSTA 44 (I)

- It is not CDM and/or JI but they are being used as the key comparators

- Discussion on similarities and differences between new mechanism and existing ones:
  - Applicability to all Parties, unlike CDM
  - Purpose: different to the CDM
  - Composition and procedures of the supervising body and the role of the host Party (less centralized than CDM)
  - Sustainable development: SDGs or national prerogative (different to CDM)
  - “Activities” - Projects but also sectors and other aggregations
  - New context of NDCs on what activities could be credited
Divergent views in many issues:

- Activity within an NDC is included but what about activities outside an NDC?
- Only for meeting NDCs or useable for other purposes?
- Long term benefits: emissions reductions or something new?
- Article 5 activities/approaches (REDD+) included or not?
- Additionality: going beyond NDC or something else?
• The term overall mitigation – deal with it in design (modalities - RMP) or in use of emissions reductions from mechanism towards NDCs?

• Implementation of share of proceeds needs to be included in modalities

• Response measures may be needed depending on scale

• Abundant references to learning from CDM and JI

• Some took the view that modalities will also need to transition activities that are currently under KP and relevance of existing KP units was raised
Regional consultations

The UNFCCC’s Regional Collaboration Centres held regional consultations. Key messages:

- **Africa**: build on elements of CDM with improvements; synergies with climate finance; transition from current to future instruments

- **Asia**: baseline and additionality in relation to NDC; possible decentralized approach; environmental integrity

- **Caribbean**: simpler approach for LDCs & SIDS; more balanced representation in governance

- **Latin America**: challenges related to NDC (different types, quantification, achievement, etc.); MRV for all instruments
What to expect for SBSTA 45?

- SBSTA agreed to focus on *establishing common understanding*:
  - Engage in discussion on the submissions
  - Develop an understanding of implementation-level implications of the different positions
  - Include all Parties and groups, not just the mechanisms-literate
Final reflections

• Three different pieces of work to deliver, a balanced set of outcomes does not mean the same outcome for each:
  • Guidance
  • Rules, modalities and procedures
  • Work programme and a decision

  They will not all look the same, but are interrelated.

• Have a likely rapid entry into force. Need to encourage purposeful and focused work aimed at delivering as soon as possible… Article 6 was the (very) last to deliver in Paris, would be nice to not be the last to deliver to CMA 1 !!
Thank you!