



# NEFCO

## Article 6 piloting through the Nordic Initiative for Cooperative Approaches (NICA)

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# NICA background

- Established in 2018
  - based on earlier successful collaboration
- ‘Follow-up’ to extensive experience on Kyoto mechanisms
- Funded by Finland, Sweden, Norway, Nefco and Nordic Council of Ministers (NKL), other Nordic observers
- Nordic principles and priorities inc. high ambition and integrity
- **To contribute to the implementation of the Paris Agreement and to demonstrate and pilot how international market-based collaboration/partnerships under Article 6 can:**
  - scale up and accelerate ambitious climate action
  - utilise sectoral approaches
  - promote sustainable development
  - harness private sector finance and innovation





# Initial NICA activities

- Project Group (PG):
  - for discussing and sharing information seeking synergies between various on-going initiatives on related to Article 6
  - pilot activity development
- Various Workshops and Side events
- Various assignments mainly **aiming to support Article 6 piloting**



# Current NICA activities

- Nefco's Board has approved that Nefco can continue to support scaled-up NICA activities and to explore the mobilisation of new and larger additional funding sources to pilot Article 6 of the Paris Agreement
  - i. **Support for NICA Article 6 pilot activity development in Uganda (and other countries)**
  - ii. **Design of NICA Article 6 general framework and documentation**
  - iii. **Seeking linkages with other on-going activities including the Beyond the Grid Fund for Africa**



# Role of piloting

- A “fast-track”, simpler, bottom-up to demonstrate of how Article 6 could be utilised'
- Extensive Nordic experience from the Kyoto Mechanisms
  - Piloting was successful in pre- and early Kyoto era
- (Beyond) CDM Methodologies
- Combining carbon and climate finance
- ‘Low/no risk’ small-scale piloting (to be scaled up)
  - From the NDC point of view



### Key messages

- The potential benefits to cooperation in achieving the NDCs under Article 6 are large and all parties could benefit. Potential cost reductions over independent implementation of countries' NDCs total about \$250 billion per year in 2030. Cost reductions from cooperative implementation are achieved through improved economic efficiency.
- If countries are inspired to invest these cost savings in enhanced ambition, then Article 6 could facilitate additional abatement under the Paris Agreement by 50 percent or ~5 GtCO<sub>2</sub>/year in 2030.
- The rules are critical. If written poorly, then rather than facilitate additional emissions reductions they could frustrate meeting current contributions and undercut progress.

Source: "The Economic Potential of Article 6 of the Paris Agreement and Implementation Challenges", IETA, University of Maryland and CPLC. Washington, D.C., 2019

# Learning by doing 'Hands on' capacity building

- To add value to and complement other initiatives in helping to close Article 6-related gaps.
- A stepping-stone to develop institutional capacity, a governance structure and related procedures
  - Sufficient top-down elements are needed to ensure country ownership and support piloting
- Rules/details to be fine-tuned even if the Paris Rulebook were in place



# Thank you!

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