



**Introduction and setting the scene:
*Article 6 Readiness and CDM Transition:
Key Pillars of NDC Implementation***

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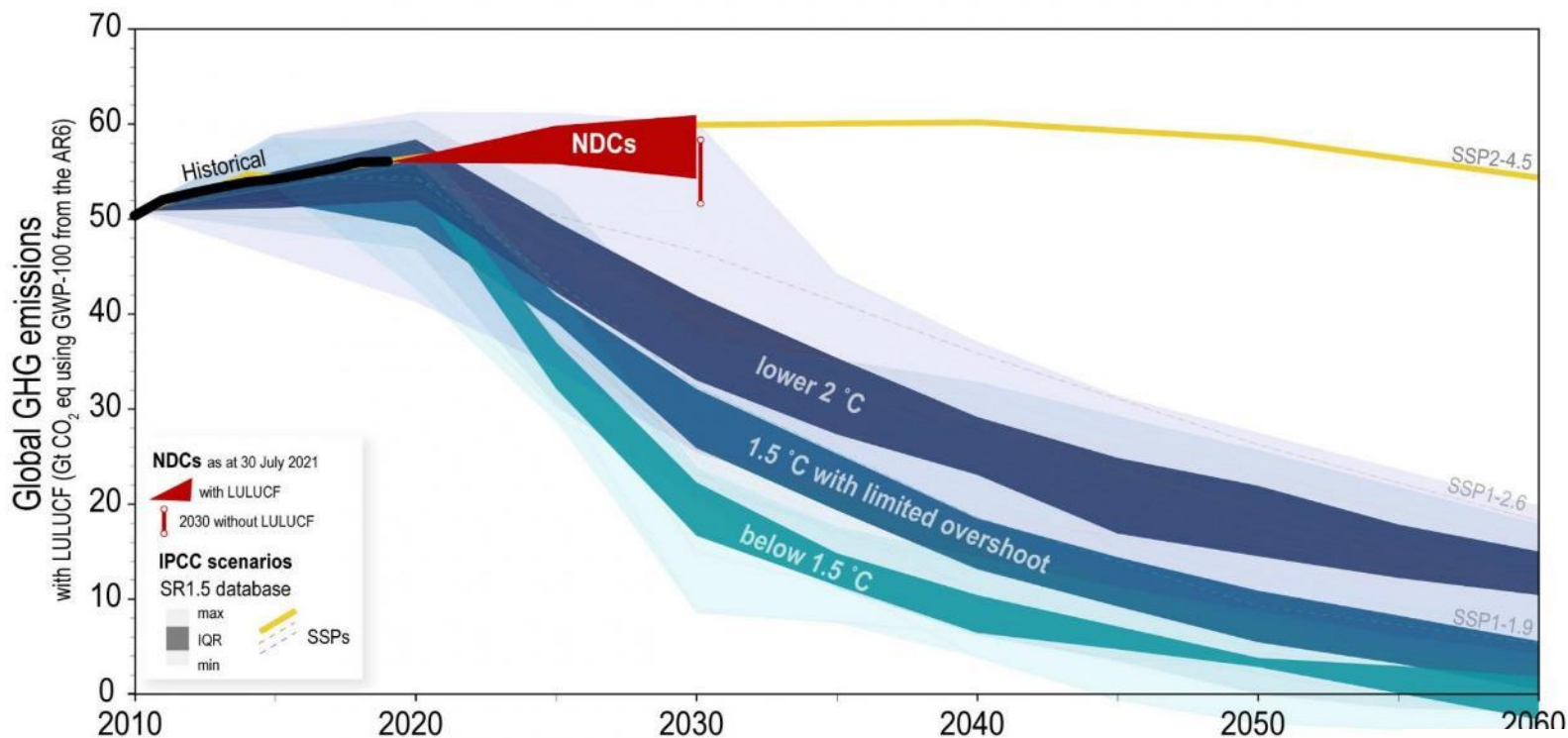
COP26 | Official Vietnamese Side Event | Glasgow | 10 November 2021

Agenda

- **Global ambition**
- **NDCs' disconnect with Paris ambition**
- **Article 6 and its contribution to ambition increase**
- **CDM transition**
- **Ambition coefficient**
- **Side event agenda**



Global mitigation ambition is critically lacking



Source: UNFCCC (2021)

Article 6 and its contribution to ambition increase

- **International carbon markets harness the **cheapest** mitigation options worldwide**
 - **Cheap mitigation options cannot be “saved” forever; they “**expire**”**
 - **Reducing the cost of reaching a national emissions target means that **political opposition** against **current** and **future** mitigation targets will be **reduced****
 - **Compared to business as usual, **more stringent** targets can be agreed**
 - **The **rapid diffusion** of mitigation technologies **reduces costs** of these technologies through **scale effects****
- **Virtuous circle!**

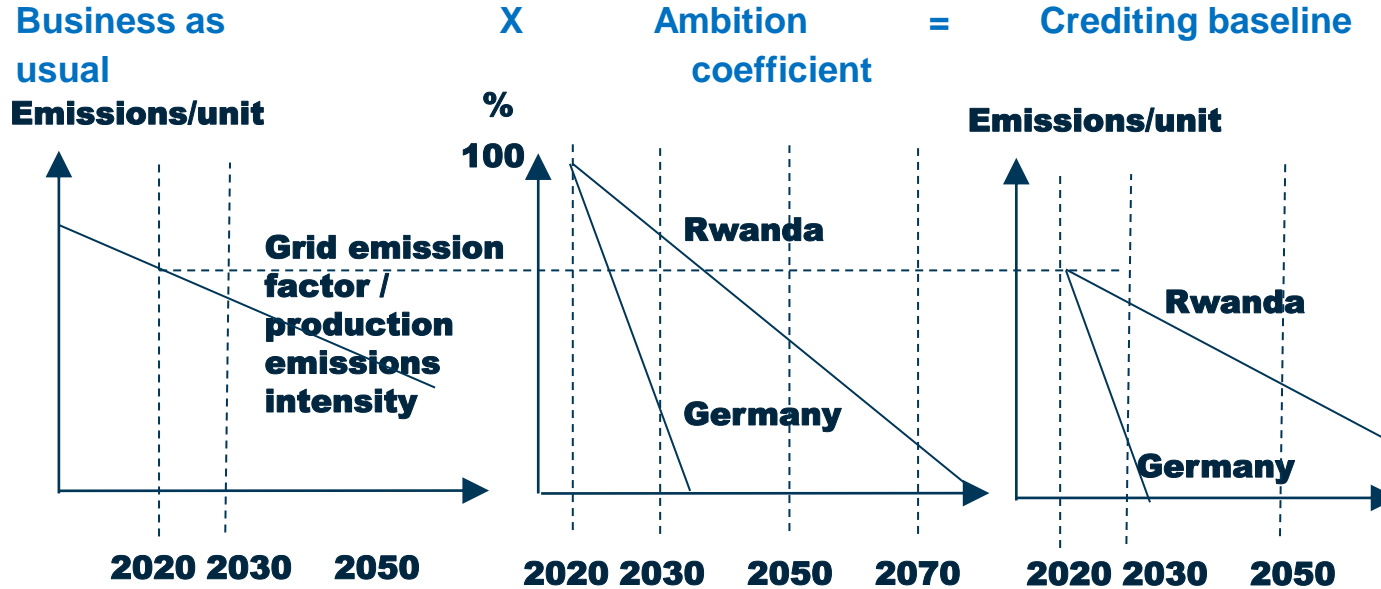
Why CDM transition is important

- **The CDM promised participants crediting periods of 21 / 28 / 60 years**
- **Actual period in which CER revenue could be generated was much shorter: 2005-2012, thereafter the price crash froze the mechanism**
- **Now, policymakers want to expropriate CER owners with the stroke of a pen**
- **Good understanding who will suffer from such expropriation**
- **Dismal sign which will lead to evaporation of trust needed to enable private participation in international carbon markets**
- **How relevant is the risk of decrease of ambition due to the transition of CERs?**

Article 6 challenges that could reduce ambition contribution

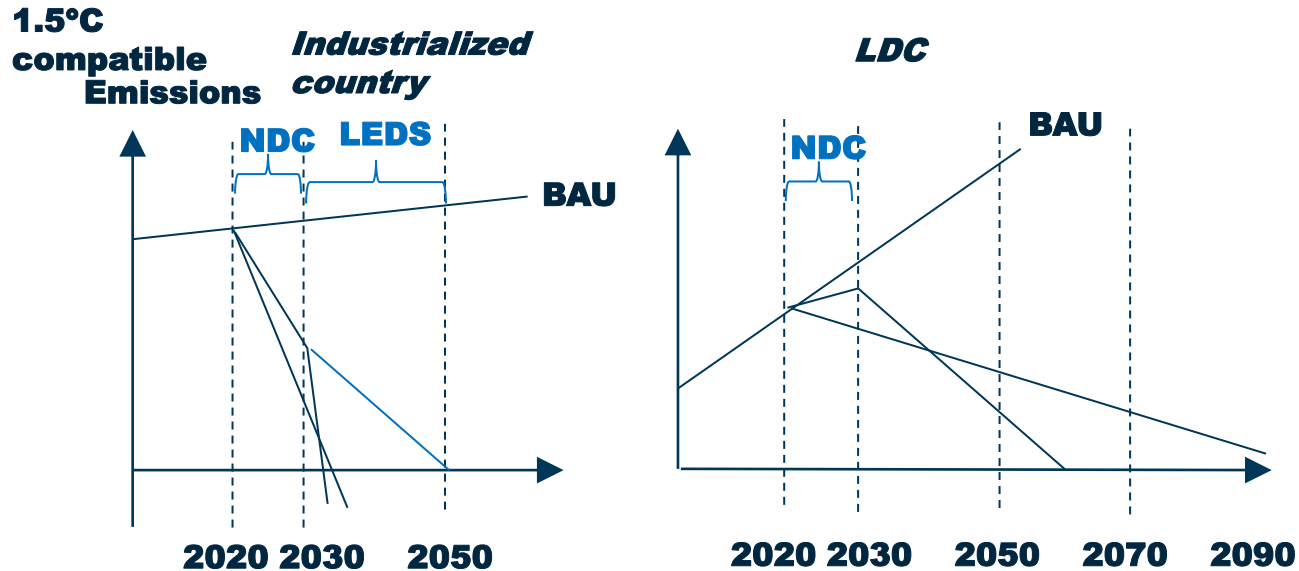
- **Insufficiently stringent international rules**
 - Non-additional activities
 - Fraud
 - Lack of regulatory oversight (Article 6.2)
 - How to define **what is transformational?**
 - Lenient baselines
 - **No corresponding adjustment** and thus incentive to not to expand NDC
- **Bad governance leads to high transaction costs**
- **Host country governments are reluctant to participate due to lacking capacity**
- **Lack of ITMO demand, leading to low prices**

Ambition coefficient – net zero compatible baseline



- **Ambition coefficient decreases as we get closer to the net zero date**

Ambition coefficient - Country differentiation



- **CBDR-RC principle should lead to country mitigation paths being different depending on development status**
- **This should also lead to differences in baseline stringency: Ambition coefficient differs between countries**

Side event agenda

| Topic | Speaker |
|---|---|
| Introduction and setting the scene | Axel Michaelowa (Perspectives Climate Group) and Pham Van Tan (Government of Vietnam) |
| Needs for carbon market regulation in context of Article 6 | Regina Betz (Zurich University of Applied Sciences) |
| Transformational impacts of Article 6 | Stephan Hoch (Perspectives Climate Research) |
| Analysis of CER trading in the Kyoto era: Lessons for the Paris Agreement | Philipp Censkowsky (Perspectives Climate Research) |
| Role of Article 6 in Vietnam's NDC implementation strategy | Nguyen Thanh Cong (Government of Vietnam) |
| Dynamic baseline for Article 6 in Vietnam | Karen Holm Olsen (United Nations Environment Programme & Technical University of Denmark) |
| CDM transition: short comment | Arunabha Ghosh (Council on Energy, Environment and Water India) |