

# CDM-EB Side Event at SB 44: How lessons learned from the CDM can be applied to Article 6 of the Paris Agreement.

Introduction by Hugh Sealy - Professor  
at St. George's University, Grenada and  
Former Chair of the CDM EB

# Defining Principles of the “Article 6 Mechanism”

- Participation is voluntary.
- Contributes to the mitigation of GHG emissions.
- Supports sustainable development.
- Under the authority and guidance of the CMA and supervised by a body designated by the CMA.
- Incentivizes and facilitates participation of public and private entities.
- Produces tradable emission reduction units.
- Delivers an overall mitigation in global emissions.
- Must avoid double counting.
- Provides a share of proceeds for administration and for funding of adaptation in developing countries.

# Other Principles embedded in the Accompanying Decision: 1/CP21

- Decision 1/CP21 paragraph 37 states :
- 37. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement adopt rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Agreement on the basis of:
  - (a) Voluntary participation authorized by each Party involved;
  - (b) **Real, measurable, and long-term** benefits related to the mitigation of climate change;
  - (c) Specific **scopes of activities**;
  - (d) Reductions in emissions that are **additional** to any that would otherwise occur;
  - (e) **Verification and certification** of emission reductions resulting from mitigation activities by **designated operational entities**;
  - (f) **Experience gained with and lessons learned from existing mechanisms and approaches adopted under the Convention and its related legal instruments**;

# If it looks like a duck, walks like a duck...

- The formative principles of the “Article 6 Mechanism” (A6M) appear very similar to those that underpin the CDM.
- There are a couple of fundamental differences:
  - There is no distinction in the A6M between developed and developing countries as to who can be a host country or a buyer.
  - Units generated by the A6M will be traded in a market that also has other tradable units or internationally transferable mitigation outcomes (ITMOs) that can be used towards a Party’s NDC.
- And perhaps, a couple of perceived operational differences:
  - A6M must *“deliver an overall mitigation in global emissions”*
  - A6M will operate on the basis of a *“specific scope of activities”*

# Lessons Learned From the CDM towards Article 6

- General questions for our panelists:
  - What is worth keeping from the modalities and procedures developed for the CDM? Examples:
    - » Project-specific and POA methodologies (over 300 now developed)?
    - » An executive board?
    - » Meth panels?
    - » Accreditation panels?
    - » A centralised supporting secretariat?
    - » A transactions log?
    - » Automatic additionality?
  - What should be changed or eliminated? Examples:
    - » An appeals process?
    - » Sensitivity to human rights?
    - » Burdensome transaction costs?
    - » Regional distribution of projects?

# Lessons Learned From the CDM towards Article 6 (Cont.)

- Specific questions for our panelists:
  - How do you define the following terms: *“deliver an overall mitigation in global emissions”* & *“specific scope of activities”*?
  - Is the current concept of being additional still relevant in the context of overall mitigation and sectoral approaches?
  - Should the A6M have a price stabilisation mechanism?
  - Should the A6M incorporate REDD+ methodologies?
  - What should be the relationship (if any) between the A6M and other ITMOs?
  - Should CERs issued pre 2020 be eligible as A6M units post 2020?

# My “two cents”

- Keep all of the aspects of the CDM that preserve environmental integrity. Examples:
  - Approved Methodologies/Standards
  - Robust MRV procedures with “boots on the ground” in the form of DOEs
  - Rigorous monitoring of all transactions
- Maintain the current governance structure with an Executive Board and supporting bodies. It works! However, remove any loopholes to limit the terms of EB members/alternates to a maximum of three (3) consecutive two (2) year terms. A permanent executive chairman may have some merit.
- Have a regulated floor price for any traded A6M units. (Don’t ask me how to achieve this!). It is noted that the fundamental flaw of the CDM of having only one major buyer (EU) is avoided in the A6M.
- Continue to promote access to carbon units by individuals, companies and institutions through voluntary cancellation of A6M units.
- Use regional collaboration centres to build capacity and facilitate access in under-represented regions.
- Promote the use of A6M units not only for NDCs but also for MRV of results-based finance from IFIs.
- Develop the A6M units to become the international currency to which all other ITMOs are pegged.
- Send a strong and immediate signal to the market by deciding in Marrakech in November 2016 that all CERs issued pre and post 2020 will be eligible to be converted into A6M units on a one for one basis.

# My “two cents” (Cont.)

- Get rid of the current concept of being additional. It's really hard to prove a negative! i.e. that something would not have happened.
- Be careful not to provide perverse incentives (be wary with gases with high GWP).
- Learn from others (e.g. California, RGGI, JCM, C-CDM). Invite their participation in developing the M&P for the A6M.