



The role of carbon markets and climate finance for NDC implementation in developing countries

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Agenda and speakers

Speaker	Topic
Young Sook Yoo (Climate Change Center)	Welcoming remarks
Axel Michaelowa (Perspectives)	Setting the scene
Stephan Hoch (Perspectives)	Preparing for Art. 6 in developing countries
Suh Yong Chung (CSDLAP)	Article 6 as window of climate finance
Tirhas Mebrahtu (Ethiopia)	Ethiopia's carbon market experience
Fenella Aouane (GGGI)	Opportunities and challenges of Art. 6
Discussion with the audience	

Article 6: rationale for international carbon markets

- **“Parties recognize that some Parties choose to pursue voluntary cooperation in the implementation of their nationally determined contributions to allow for higher ambition in their mitigation and adaptation actions and to promote sustainable development and environmental integrity”**
- **Potential to improve the economic efficiency of NDC implementation:**
 - Savings up to USD 250 billion / year, or
 - Increase the ambition by 5 GtCO₂ / year

https://www.ieta.org/resources/International_WG/Article6/CLPC_A6%20report_no%20crops.pdf

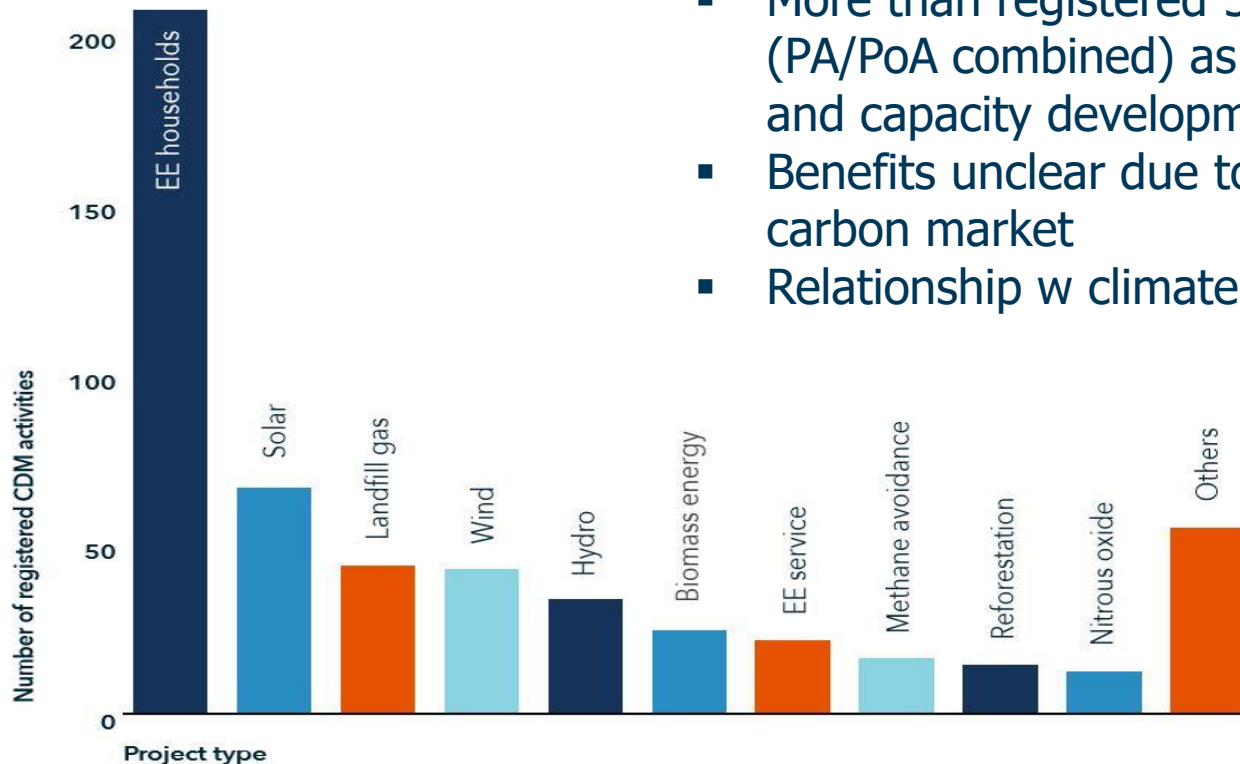
Unpacking Article 6 of the Paris Agreement

	Art. 6.2 “Cooperative Approaches”	Article 6.4 “Sustainable Development Mechanism”	Art. 6.8 “Non- market mechanisms”
ITMO transfers	Yes	Yes	No
Corresponding adjustments	Yes	Yes	No
Governance	UNFCCC “guidance”	UNFCCC “supervision”	TBD
What does it look like?	Int. Emissions Trading / JI Track 1	CDM / JI Track 2	Climate finance? Adaptation?



Preparing for Article 6 building on the CDM while transforming carbon markets

Starting situation: CDM pipeline in Africa



- More than registered 500 CDM activities (PA/PoA combined) as a result of reforms and capacity development
- Benefits unclear due to downturn of carbon market
- Relationship w climate finance, NDCs?



Climate Finance Innovators: Linking market mechanisms and climate finance in Africa

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CFI: Synergies bw. market mechanisms and climate finance

- Support to **African CDM pipeline** (especially PoAs), sustaining and scaling up mitigation impacts through results-based climate finance (e.g. GCF)
- Measures: **funding proposals, capacity building, conceptual work, technical assistance** and outreach related to the operationalization of the PA (**Art. 6**), but also **results-based climate finance** (GCF)
- Partners
 - **Ethiopia, Uganda, Senegal**
 - **Regional organizations** in East and West Africa (UNFCCC, EADB, BOAD)
 - UNFCCC **negotiations**
 - **Accredited Entities** (e.g. MDBs)

Our approach to supporting the transition from CDM to CF

Impact

Improved access to climate finance for mitigation technologies in sub-Saharan Africa will help to achieve and enhance the ambition of African NDC objectives and climate resilience

Outcome

Strengthening mitigation capacities by elaborating innovative climate finance models
Strengthening national and regional capacities for the mobilisation of investments
Strengthening the capacities of negotiators in the international climate negotiations

Output I

Climate finance proposals and national capacity building

Output II

Regional capacity building

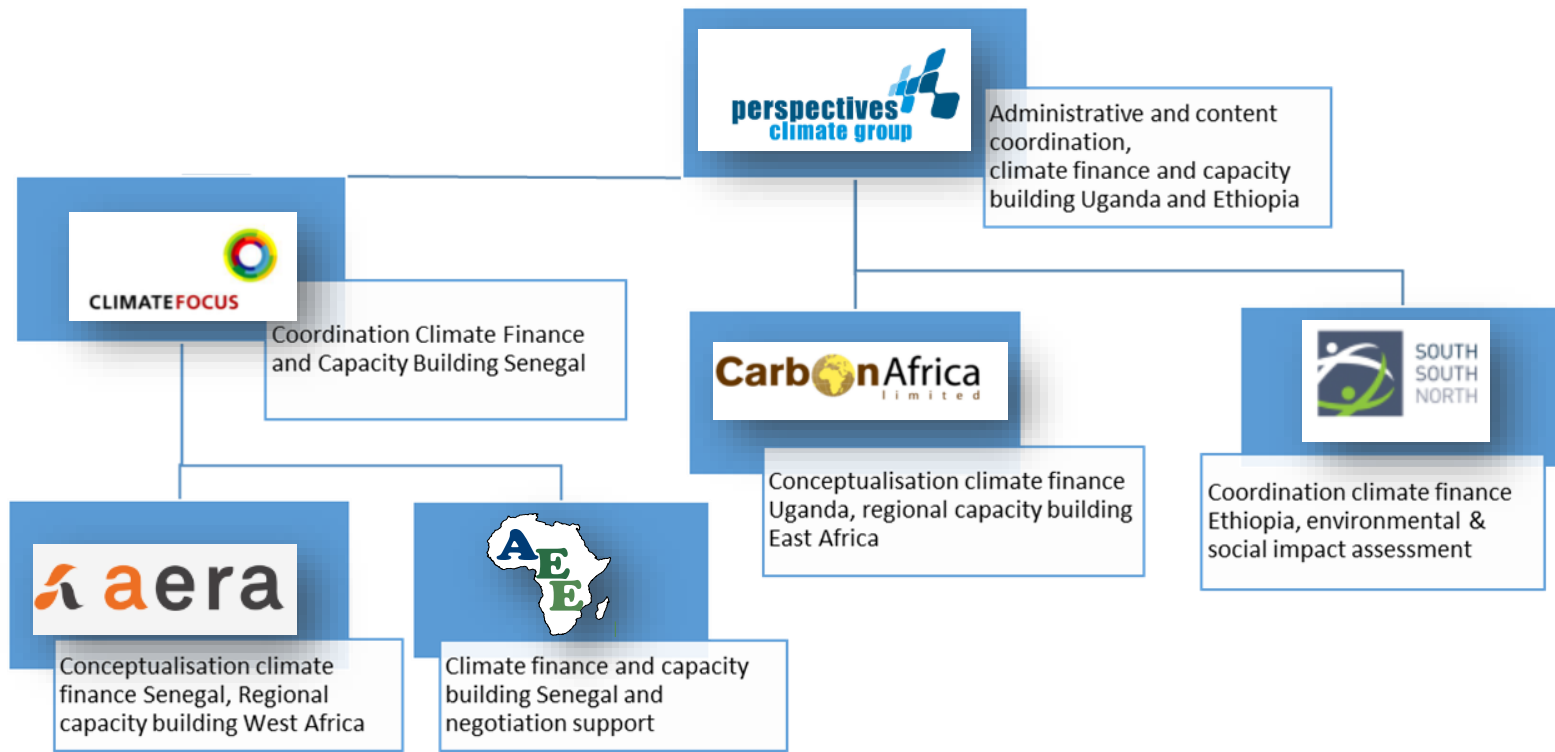
Output III

Conceptual work (Publications and methodologies)

Output IV

Negotiation support, outreach and public relations

Project team



CFI achievements, current status

GCF funding proposals

- **Senegal: rural electrification with minigrids**
- **Uganda: rural electrification with minigrids**
- **Ethiopia: solar water pumping in rural areas**

▪ Knowledge products



▪ Outreach and technical assistance

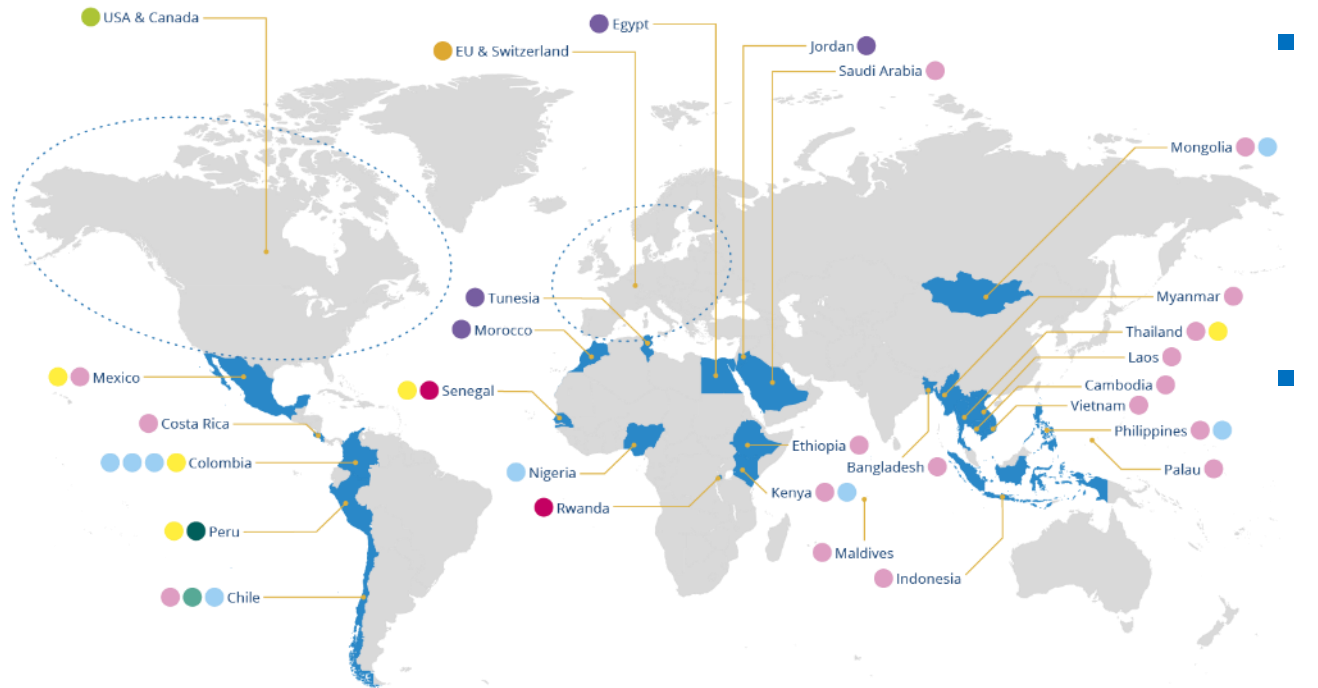
- UNFCCC negotiations (AGN)
- Side Events
- Capacity development

Landscape of Article 6 pilots (June 2019)

- **First overview of ongoing Article 6 pilots by bi- and multilateral organizations**
- **Analysis of emerging trends and early experience with Article 6 implementation focusing on how the pilots are responding to the new context posed by the PA/NDCs**
- **The analyzed activities represent the diversity of approaches that can be pursued under Article 6.2/4/8**
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The Art. 6 piloting landscape geographically



- **Low-income countries and Africa relatively well represented**
- **KLIK tender May 2019: 12 of 31 proposals from Africa, 8 from Latin America**



SELECTION OF ARTICLE 6 PILOT INITIATIVES



The piloting landscape

■ When did the activities and pilots

Recently emerging	Emerging (based on CDM/NAMAs)	Predating the PA
AfDB: <i>ABM</i> Canada-Chile Sweden: <i>SEA Virtual Pilots*</i> Switzerland: <i>Klik**</i> World Bank: <i>TCAF</i> World Bank: <i>Warehouse</i>	EBRD: <i>SEMED</i> NEFCO: <i>Peruvian waste sector</i> Sweden: <i>SEA Virtual Pilots*</i> Switzerland: <i>CCF***</i> World Bank: <i>SCF</i>	EU-Swiss ETS Link Japan: <i>JCM</i> REDD+ initiatives World Bank: <i>CPF</i>

■ What is the predominant form and scale of cooperation?

Programmatic / Project scale	Sectoral scale	Policy scale
AfDB: <i>ABM</i> Japan: <i>JCM</i> Switzerland: <i>Klik</i> Switzerland: <i>CCF</i> Sweden: <i>SEA Virtual Pilots</i> World Bank: <i>SCF</i> World Bank: <i>Warehouse</i> World Bank: <i>CPF</i>	Canada-Chile EBRD: <i>SEMED</i> NEFCO: <i>Peruvian waste sector</i> REDD+ initiatives Sweden: <i>SEA Virtual Pilots</i> World Bank: <i>Warehouse</i> World Bank: <i>CPF</i>	Japan: <i>JCM</i> World Bank: <i>TCAF</i> World Bank: <i>Warehouse</i>

■ Which Art. 6 routes are being pursued?

Instrument neutral	Article 6.2	Article 6.8
Canada-Chile EBRD: <i>SEMED</i> NEFCO: <i>Peruvian Pilot</i> Sweden: <i>SEA Pilots*</i> World Bank: <i>SCF</i> World Bank: <i>CPF</i>	Japan: <i>JCM</i> Switzerland: <i>CCF</i> Switzerland: <i>Klik</i> World Bank: <i>TCAF</i> Sweden: <i>SEA Pilots*</i>	AfDB: <i>ABM</i>

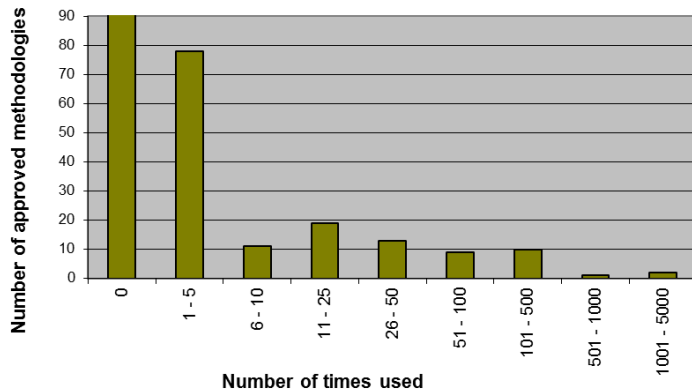
CDM as MRV toolkit

Present number of approved CDM Methodologies

93	Large scale Methodologies (AM)		
25	Large scale Consolidated Methodologies (ACM)		
93	Small scale Methodologies (AMS)		
1	Large scale Afforestation/Reforestation Methodologies (AR-AM)		
1	Large scale Consolidated Afforestation/Reforestation Methodologies (AR-AM)		
2	Small scale Afforestation/Reforestation Methodologies (AR-AMS)		
34	Approved Standardized Baselines		
249	Total number of Approved Methodologies		



Number of projects per approved methodology



- NDCs require harmonized and transparent MRV standards for Art. 6 Mechanisms, NAMAs, Climate Finance (GCF)
- CDM has generated MRV knowledge and tools

Reflections and conclusions

- **Article 6 has begun to move out of negotiation rooms, driven by a small number of buyer/seller countries and MDBs**
- **There are links to existing mechanisms and portfolios, but PA rules (NDC accounting) have begun to change int'l carbon markets**
- **Practical CDM experience should inform finalization of PA rulebook, and continuous evolution of Article 6 rules**
- **Article 6 piloting study will updated: Please share your feedback and suggestions!**

Thank you!

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