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Implementation of Article 6 in the Paris Agreement

CEPS/ICTSD side event

Focus of discussions

Issues that will need to be discussed in Bonn at SBS44 ...and beyond

- Provisions in Article 6 that may require clarification, and implications
- Article 6 linkages to other parts of the Paris Agreement, and the implications of these linkages

Article 6 in the context of the PA

- Direct/literal (narrow?) interpretation
- Broad/lateral/horizontal interpretation

What do we examine?

- What we know/"generally accepted"
- Issues for clarification/"what we don't know"

What do we base on:

- Institutional history from negotiations

November 2014 : Brazil submission

December 5 – Draft AP, ADP to COP

December 9: Panama, AOSIS,

December 9 & 10: Draft PA, Committee de Paris

November 10, 2015: Draft PA

December 8: EU-Brazil submission

LMDC submissions

December 12: Final PA

It's a negotiation for next level of detail !!

Article 6 in the context of the PA

Linkages:

- Direct linkages (directly referred in Article). Provisions in Decision: paragraphs 37-41
- Indirect linkages (that can be seen from provisions in Article 6).
 - Articles 4 (Mitigation – accounting)
 - Article 13 (Transparency)
 - Article 15 (Compliance)

Components of Article 6

- General provision on international cooperation (paragraph 6.1)
- ITMOs (internationally transferred mitigation outcomes) which refers to cases of voluntary cooperation between Parties that result in mitigation outcomes being transferred internationally, for use towards NDCs (paragraphs 6.2 & 6.3) *Note: Alternative 1 is a preamble of 2*
- Mechanism that will produce mitigation outcomes under the authority of the CMA (paragraphs 6.4-6.7), which can then be used towards NDCs.
- Non-market approaches, which will contribute to the implementation of NDCs (paragraphs 6.8 & 6.9).

Alternative: Based on functionality

- Market provisions (paragraphs 6.2-6.4 and 6.6-6.7)
- Solidarity provisions (paragraph 6.5)
- Non-market approaches (paragraphs 6.8 & 6.9)

Components of Article 6 – Possible Decisions

Article 6 can be expected to result in 3 decisions:

- On internationally transferred mitigation outcomes (ITMOs)
- On the Mitigation mechanism under the authority of the UNFCCC
- On non-market approaches

Common issues (horizontal):

- Sustainable Development
- Environmental Integrity
- Accounting, including the avoidance of double counting

Article 6 in the context of the PA

Entry into force

- PA may enter into force 2016/2017 – need for accelerated implementation of the work program

Process-related implications

- Two areas for PA negotiations: markets and non markets.
- Balance was needed and expected
- Same issue under SB: FVA/NMM/NMA
- This is implementation and not negotiations for inclusion in PA
 - Different set of knowledge
 - Skill
- Different negotiators needed for the two issues?
- How to structure discussions?

“ITMO” decision

- Articles 6.2 & 6.3
- 2 “shall” articles
 - It “shall” ensure that it promotes sustainable development and ensure environmental integrity and transparency, including in governance
 - It “shall” apply accounting consistent with guidance developed by the SBSTA, including ensuring the avoidance of double counting

“Generally accepted” provisions

1. Recognize cooperation between Parties, not a function of approval by the CMA.
2. Place no restrictions on the type of cooperation that may result in ITMOs that can be used towards NDCs. This cooperation may, therefore, take any form:
 - Bilateral, plurilateral, and possibly (?) multilateral cooperation.
 - Linking of cap and trade systems, or other types of trading systems
 - The transfer of units, or blocks of mitigation, resulting from cooperation between Parties (e.g. Joint Crediting Mechanisms created by Japan)
 - No limitation to GHG

“ITMO” decision - continued

3. Cooperation needs to be approved by the Parties involved.
4. In order for ITMOs to be usable towards NDCs, the Parties involved “shall” develop accounting systems that will be consistent with accounting guidance developed by the SBSTA
5. In order for ITMOs to be counted towards NDCs the Parties involved will “promote sustainable development and ensure environmental integrity, including transparency”.

Issues for clarification

Implications for governance: from totally decentralized to shades of KP

Provisions that simply need interpretation – maybe simple, but needed

1. Any interpretation that would require/allow the CMA to develop and operationalize sustainable development and environmental integrity, as referred to in Article 6.2 under Article 4.13?
2. There is no work program under SBSTA for “transparency, including in governance” However, can it be considered that there is a mandate under paragraph 13.13 ?
3. Article 6.2 has no provisions for compliance. Can there be one under Article 15 of the PA, operationalized under paragraph 104 of the Decision?

Decision on Sustainable Mitigation Mechanism(SMM)

Provisions in SMM – “generally accepted”

- The SMM is under the authority of the CMA. A body designated by the CMA will supervise it.
- There are no restrictions on where it can produce mitigation outcomes.
- There are no restrictions on who can use the mitigation outcomes resulting from SMM
- There are no specific provision on supplementarity.
- The private sector can participate under the authority of the Party
- M&P will be developed under SBSTA and will consider the experience of the KP mechanisms.
- Paragraph 38 (d) describes additionality - is SMM to be seen as a baseline& credit mechanism
- Article 6.6 of the PA refers to a share of proceeds from the activities of the SSM will be devoted to the administration of the mechanism and to adaptation.
- There is a reference to “overall net mitigation in global emissions”.

Decision on Sustainable Mitigation Mechanism(SMM)

Issues for clarification

1. Do Articles 6.4-6.7 refer to one, or more than one mechanism, or windows?
 - Broad reference to mitigation
 - Different M&P for different NDCs – different SMMs?
 - Relationship with Article 5
2. “Overall mitigation in global emissions” concept needs to be explained in order to be operationalized.
 - Where does “net mitigation” take place?
 - Implications for accounting
3. Relationship between Articles 6.4-6.7 and Article 6.2-6.3.
 - “ITMO paras” transfers only
 - “SMM paras” for all baseline and credit – implication ? JCM under 6.4!!

Decision on “Non Market Approaches”

- Paragraphs 6.8 & 6.9
- Much less advanced and mature
- Less “known” and little “generally accepted”
- NMA starting to emerge as a vision for a framework and mechanism to coordinate non market approaches under the PA
 - Technology mechanism
 - Loss and damage
 - Adaptation
 - Financial mechanism