

Issues related to Art 6

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What is the main decision?

A coherent position needs answers to this and other questions

Do we write rules for Art 6 which can be used for any NDC

OR

Do NDCs have to adapt the way the NDCs are expressed to meet the rules of Art 6?

What is the main decision?

Considerations

- Voluntary or conditional? Art 6 participation is voluntary, it is an opt-in.
- Precedent – participation in KP mechanisms was conditional upon meeting certain requirements
- What level of conditionality is justified?

What is needed to know? Implications for:

- Art 6 rules
- Governance
- Paris Agreements ethos

Building blocks of Art 6.2

- Eligibility requirements
- Ex-ante reporting
- Ex-ante verification
- Transfers
- Ex-post reporting
- Ex-post verification
- Infrastructure
- Other provisions
 - SOP
 - Limits on transfers
 - Net mitigation
 - Etc.

ITMOs and ITMO characteristics

- What are ITMOs denominated in?
 - CO2e only
 - Any metric of the NDC, including CO2e
- Who is responsible for defining and issuing ITMOs?
 - Participating Parties
 - CMA/supervisory body has a role in
 - Examining ITMO characteristics
- What do we need to know about ITMOs?
 - Where they come from (env. characteristics, vintage)
 - Where they are at any time

ITMOs and ITMO characteristics

- Is reference to additionality limiting Art 6.2 to B+C mitigation actions ?
- What is the relationship between ITMOs and A6.4U? If ITMOs need CA then:
 - A6.4U are all IMTOs, all the time (A6.4U inside the NDC)
 - ITMOs are first international transfer (A6.4U outside NDC)

ITMOs and ITMO characteristics

Denominated in CO2e only

Then:

- Mitigation outcome is in CO2e or is converted to CO2e
- NDC needs to be expressed in CO2e
- *Initial NDC promise = End of NDC period result for the NDC +/- Net ITMO activity for the Party*

ITMOs and ITMO characteristics

- Question: who decides on the conversion factor?
 - Issuing Party. Under what governance?
 - Own governance
 - CMA/Supervisory Body has a role
- Corresponding adjustment
 - To a number that has a starting point the NDC expressed in CO₂e;
 - An intermediate number that is used to adjust the NDC which is also expressed in CO₂e
 - The inventory – how does the inventory related to the NDC – is that the inventory of the NDC?

ITMOs and ITMO characteristics

Implications:

- Conversion of NDC to CO₂e
- Conversion of mitigation outcome from NDC metric to CO₂e

ITMOs and ITMO characteristics

Denominated in any metric, including CO2e

Then

- ITMOs transferred in metric of NDC
- Can be used in
 - In the metric it was issues if using NDC has that metric
 - In any metric, including CO2e, depending on the metric of the using Party NDC

ITMOs and ITMO characteristics

Implications:

- There is a conversion factor at the time of usage of ITMO

Question

- Under what governance?
 - Using Party
 - Issuing Party
 - CMA/Supervisory Body

NDCs and ITMOs

- ITMOs are used towards meeting NDCs
- ITMOs require corresponding adjustment to.....something.... to avoid double counting towards NDCs
- Can ITMOs come from mitigation outcomes outside the NDCs?

What is the relationship between ITMOs and NDCs?

Initial NDC promise = End of NDC period result for the NDC +/- Net ITMO activity for the Party

Corresponding Adjustments

When is it done

- At initial transfer (if issuance and first transfer are different steps)
- At each transfer
- At usage
 - Towards NDC
 - For usage other than NDC

Corresponding Adjustments

What is adjusted

1.

- Buffer account +
 - Adjust NDC at the end of the NDC period

or

- Number which uses as a starting point the NDC

2.

- Buffer account+
 - Adjust inventory at the end of the NDC period

or

- Number which uses as a starting point the NDC

Oversight of Art 6

- Art 15 of the exists for compliance under the PA
- Is there a special justification for another mechanism for Art 6?
- What needs to be checked:
 - Ex-ante / ex-post reporting has been done
 - Eligibility criteria met

Reporting: What and how

- Two types of information
 1. What Art 13 needs in order to fulfill its mandate
 - Progress towards NDC
 - Inventory status
 2. What Art 6 needs in order to ensure market transparency and good market functioning
 - Where of ITMOs come from (will provide reporting of mitigation outcome environmental characteristics)
 - Where are they at any time
 - What is their contribution towards NDC

Infrastructure: what is needed

- National registries – to hold ITMOs
- Centralized data base – to register each transfer (not approve)
- National authority



Eligibility requirements

- NDC
- Registry
- National authority
- Authorization under Art 6.3
- Are these participation requirements or are they reporting requirements?
 - Process to set baseline
 - Mitigate leakage
 - Etc.

Accounting

Is there guidance on how ITMOs will be used towards NDCs? E.g. single year targets

- Use average of transfer
- Use only the NDC vintage year
- Other options
- What are the logic/principles for choosing an approach?

Article 6.4 Issues

- How to insure that the scope is beyond a CDM+?
- What is the composition of the Board?
- Is A6.4U an ITMO?
- Are there legacy projects or units from KP?
What criteria need to apply for the decision?







