

Katowice COP 24: Outcomes on Article 6

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Outcomes: Overall remarks

- COP 24 concluded on all issues to a reasonable degree of granularity
- Article 6 could not conclude – it had to move to “procedural conclusions”
- However, SBSTA at next session will pick up the work. It will take into account the texts
 - Reached at the end of SBSTA (Dec 8)
 - Presidency text proposed **December 14**
 - **Final Katowice text:**
 - “taking into consideration” has relative value
 - Accepted the reference to paragraph 77 of the transparency text which provides a way to avoid double counting – correct ? Or more ?

Outcomes: Overall remarks

Para 77 (Transparency)

Each Party that participates in cooperative approaches that involve the use of internationally transferred mitigation outcomes towards an NDC under Article 4, or authorizes the use of mitigation outcomes for international mitigation purposes other than achievement of its NDC shall also provide the following information in the structured summary consistently with relevant decisions adopted by the CMA on Article 6:

- (i) The annual level of anthropogenic emissions by sources and removals by sinks covered by the NDC on an annual basis reported biennially;*
- (ii) An emissions balance reflecting the level of anthropogenic emissions by sources and removals by sinks covered by its NDC adjusted on the basis of corresponding adjustments undertaken by effecting an addition for internationally transferred mitigation outcomes first-transferred/transferred and a subtraction for internationally transferred mitigation outcomes used/acquired, consistent with decisions adopted by the CMA on Article 6;*
- (iii) Any other information consistent with decisions adopted by the CMA on reporting under Article 6;*
- (iv) Information on how each cooperative approach promotes sustainable development; and ensures environmental integrity and transparency, including in governance; and applies robust accounting to ensure inter alia the avoidance of double counting, consistent with decisions adopted by the CMA on Article 6.*

Outcomes: Overall remarks

- Going issue by issue one must examine the:
 - What is the evolution of the issue in the text
 - Does it point in a particular direction
 - Consider, and conclude, if the text Article 6 text is :
 - “one yard away from touch down” or
 - will it require backtracking
- 3 texts being examined
 - Reached at the end of SBSTA (Dec 8) (**KTSB**)
 - Presidency text proposed December 15 morning (**KTP**)
 - There were subsequent L texts, but the Art 6 ones (L23 & L24) were not used in the final Katowice decision(**L text**)
 - Final Katowice text – this is largely procedural (and more?)

Issues for discussion

- L text
- Question from Ministerial Consultation

Questions from Ministerial Consultation Dec 14

- Can you agree to the following landing zone for 6.2: that no corresponding adjustment is required outside NDC until 2031, after which, corresponding adjustment required?
- Can you agree to the following landing zone for 6.4: that activities can be inside and outside, but that outside will be correspondingly adjusted only after 2031?
- Can you agree that CDM project transition be time limited to 2023 and require certain conditions so that the project takes into consideration the NDC?
- Can you agree silence on use of pre-2020 units?
- Can you agree that for use other than for NDCs, if it comes from outside the NDC, there will be a requirement to make a corresponding adjustment after 2023?
- What other steps are needed to tighten this package from the perspective of environmental integrity?

Article 6.2

ITMO definition

- ITMO definition
 - Present in KTSB, and KTP text
 - Absent from the L text, moved to WP in L text
 - Important as it refers to other metrics in the definition, but forces both Parties to have same NDC metric – that would restrict the potential for more than bilateral trades substantially

Be measured in metric tonnes of carbon dioxide equivalent (CO₂e) in accordance with the methodologies and common metrics assessed by the IPCC and adopted by the CMA and/or in other metrics determined by the participating Parties consistent with the (national determined contributions (NDCs) of the participating Parties
- No reference to avoidance in the KTP and L texts, only in SBSTA text

Governance

- Great simplification between SBSTA text and the other 2 texts
- Seems a text that solidified and did not undergo changes between KT and L texts
- Choice on a Art 6 technical expert review team (ART 6 TER) to forward information to the technical expert review under Art 13
- Significant role for the UNFCCC Secretariat to compile Art 6 TER output and identify recurring themes and lessons learned
- No role for the 6.4 Supervisory Body but the Art 6 TER will likely, in time, require significant support, and a base from somewhere.
- This was a concession to AGN (?) that wanted a super Art 6 body to do everything EU, EIG, UG wanted this; Brazil wanted an Art 13 TER

Participation responsibilities

- Fairly standard
- Little significant change between the 3 texts
- The KT & L texts include a requirement to

*Parties are encouraged to deliver an **overall mitigation** in global emissions in the context of Article 6, paragraph 2, through a voluntary cancellation or setting aside of ITMOs that are not used for any transfer or purpose, including use by any Party towards its NDC*

- Was the only presence in the KT & L texts of OGM (soft), which would indicate an attempt to limit this provision
- Special chapter in the KTSB text on OGM.

Tracking ITMOs

- Tracking task is assigned to each Party
- Difficult to understand how one Party would track transfers when there are 2 points – departure and arrival. It adds an additional layer of reconciliation between the participating Parties with someone who needs to check that it has been done properly
- It is a misnomer in that it is basically the fact that each Party needs a registry with accounts for different functions
- The SOP account disappears between in the KT and L texts – it's not in the L text
- KT Chapter XII is on SOP - there is no such Chapter in the L text, only in the work programme and unclear what it meant

Corresponding adjustments

Main issues

1. What gets adjusted

- An intermediate number starting from 0 to be used to adjust the NDC
- A number that uses the inventory as a starting point from the inventory (not the inventory itself) (which inventory?)

The argument is if the focus is the NDC or the inventory

2. When is the adjustment done

- Every time there is a transfer
- At time of use of ITMOs towards NDC

Main issue seems to be on level of centralization

Consequences are in terms of transparency and managing transfer risk

Corresponding adjustments

Basis for CA

- Can be done for CO2e and in other metric in different ways:
 - For CO2e adjust inventory - no specification which inventory
 - For other metrics adjust a from a starting of 0, to be applied to the NDC
 - Little change between KT and L texts
 - 2 options from SBSTA text dropped

Multi-year/single year NDCs

- 3 Options for multi-year
- 5 options for single-year, including average and vintage
- The L text for multi year adds in Option C the concept of NDC budget which likely addresses the Brazil position
- SBSTA text and KT are similar

Corresponding adjustments – multi year

- (a) Calculating a multi-year emissions trajectory for the period for NDC implementation that is consistent with the NDC and applying a corresponding adjustment consistently with this trajectory for each year covered by this emissions trajectory;
- (b) Applying a corresponding adjustment for each year in the period for NDC implementation;
- (c) Calculating a multi-year emissions budget for the period of NDC implementation that is consistent with the NDC and applying a corresponding adjustment at the end of the NDC period for the total amount of ITMOs first transferred and used, or transferred and acquired over the period of the NDC implementation

Corresponding adjustments – single year

- The method referred to in paragraph 12(a) above;
- (b) The method referred to in paragraph 12(b) above;
- (c) The method referred to in paragraph 12(c) above, with both participating
- Parties applying this method for the cooperative approach;
- (d) Calculation of the average annual amount of ITMOs first transferred and used, or transferred and acquired over the period of the NDC implementation, and application of a corresponding adjustment equal to this average amount for the NDC year.
- (e) The Party may only first transfer or transfer consistently with this chapter V (Corresponding adjustments), ITMOs that are of the same vintage as the Party's single- year NDC and/or only acquire or use ITMOs that are of the same vintage as the Party's single- year NDC.

ITMOs from I/O NDC

- Simplification between SBSTA and KT texts
- This issue is present in the SBSTA text and the KT text. Was not present in the L text where it was moved to the WP
- “Band aid” solutions were put in text forward for this key issue for Brazil
- Different options available
- **KTSB** *“In addition, a Party may transfer ITMOs for emission reductions and removals from sectors and greenhouse gases that are not covered by the NDC of the Party, subject to the application of corresponding adjustments pursuant to section VII (Corresponding adjustments) [from 2026 onwards] [from 2031 onwards] [from the subsequent NDC period]”.*
- **KTP** *“A Party that transfers ITMOs from emission reductions and removals from sectors and greenhouse gases that are not covered by the NDC of the Party [shall apply corresponding adjustments pursuant to section V (Corresponding adjustments)] [is not required to apply corresponding adjustments pursuant to section V (Corresponding adjustments) until 2031]. “*

SIDS & LDCs

- Special circumstances for SIDS and LDCs are provided in all texts

“In relation to the least developed countries and small island developing States, pursuant to Article 4, paragraph 6, their special circumstances shall be recognized where the guidance relates to NDCs and other aspects of their special circumstances may be recognized in further decisions of the CMA relating to that guidance”

- The WP under KT contains

“Further elaboration, if required, of the special circumstances of least developed countries and small island developing States”

- Could be used to allow for inclusion of a provision for “avoidance” ITMOs for LDCs

Reporting: Initial

- 3 of the provisions are identical for all 3 texts
- KT text includes provisions for quantifying the NDCs in CO₂e and in other metrics
- Those provisions are present as options in the SBSTA text
- They are not present in the L text – attempt to do away with what was seen as a narrow support
- CO₂e quantification of NDC was at the same time a red line for some Parties

Reporting: regular information

- First 4 reporting requirements are identical
- Deleted from the SBSTA text version requirement for only one transfer per ITMO
- Additional requirements contain differences. There are a number of provisions in KTP that were eliminated in the KTL text
 - No provision for non CO2e metric
 - No provision for the elimination of unilateral measures
 - No provision for human rights
- Provision on LT climate strategy – why ?
- Quantitative reporting in sync with Art 13
- SOP reporting not in L document

Review

- Art 6 TER will review
 - Initial reporting
 - Regular reporting
 - Forward report to the Art 13 TER

Safeguards and limits

- Safeguards and limits are included in all texts, which indicates not a significant disagreement
- A number of provisions are outlined in the WP of how it can be operationalized

(i) Transfer limits;

(ii) Minimum holding requirements;

(iii) Use of ITMOs towards achievement of its NDC being supplemental to domestic action such that domestic action constitutes a significant element of the effort made by each Party towards achievement of its NDC;

(iv) Maximum limits on the use of ITMOs towards an NDC;

(v) Requirements relating to carry over of ITMOs from one NDC period to the next;

(vi) Limits relating to the use by a Party of ITMOs from emissions and removals not covered by the sectors and gases included in its NDC towards achievement of its own NDC, including the use of cancellation and locked credits;

(vii) Creation and first transfer of ITMOs in a manner that avoids significant fluctuations in the prices and quantities available in the international market for ITMOs;

(viii) Creation and first transfer of ITMOs from sectors that have a high degree of uncertainty;

(ix) Requirements relating to avoid unilateral measures and discriminatory practices in cooperative approaches;

Share of proceeds

- Absent from the L text
- Present in KT text
- No justification in the PA – it is a political demand
- A number of ways that it can be operationalized under Art 6.2
- *The share of proceeds [shall][should] be collected in respect of [cooperative approaches that are baseline and crediting approaches that are similar to mitigation activities under the mechanism established by Article 6 paragraph 4] [crediting approaches implemented by Parties] [all cooperative approaches] [all acquisition of ITMOs].*
- *The share of proceeds [shall][should] be set at and levied at [X per cent / 5 per cent / an increasing per cent / a diminishing per cent of the amount of ITMOs transferred / used towards achievement of an NDC] [X percent at first transfer, increasing by Y percent at each subsequent transfer] [consistent with the share of proceeds pursuant to Article 6, paragraph 6, for the mechanism established by Article 6, paragraph 4].*

Article 6.4

Definitions & Superv. Body

- Reference to “mitigation” but no reference to removal and avoidance
- Nothing dramatic in Rules of Procedure
 - No reference to interaction with stakeholders in a formal and on-the-record manner
- Governance and Functions
 - Fairly open-ended mandate to take on activities outside the regulatory brief

Participation responsibilities

- Avoiding unilateral measures is missing from the KTL text, but was present in the KTP text
- Would it prevent a Party from setting legislative or regulatory compliance acceptance conditions for technologies/vintages/Party of origin?

Art 6.4 Activity cycle

- There are differences between what is in L and what is in KT text
- The L & KT texts are simplifications and progression of the SBSTA text, where there were many options
- L text does not contain reference to
 - Removals and avoidance no included (in WP)
 - I/O NDC not included (in WP)
 - Human rights provision not included (in WP)

This was another band aid to try and get agreement

- SBSTA text excluded Art 5 (REDD+) but that is not in later texts
- Other issues that would be useful to highlight:
 - The need for national & subnational stakeholder consultation
 - Demonstration of additionality through
 - Emission reductions achieved by the activity are additional to any that would otherwise occur, taking into account all relevant national policies, including legislation;
 - (b) Emission reductions are complementary to the policies and measures implemented to achieve the NDC of the host Party

IS THIS AN “OR” provision ?

Appeals procedures

- This is bracketed in the KT text
- [Stakeholders, activity participants and participating Parties may inform the Supervisory Body of complaints relating to the implementation of paragraph 31(d)(iv) above.]
- Anyone can appeal any project
- Details of the appeal process to be defined – likely to end up in gridlock, same as appeals under KP

Overall mitigation in global emissions

- Clearly included in Art 6.4 - it is part of the Paris Agreement
- The chapeau is

The mechanism shall aim to deliver an overall mitigation in global emissions through any one or a combination of the following

- It is not an absolute and the methods look to a large degree like a voluntary approach
- The clearest one refers to 10% of issuance to be transferred to a cancellation account

Avoiding emissions reduction by more than one Party

- This whole piece was sent to the WP in L document to get agreement
- There are still options in many ways carried from the SBSTA document
- This issue was one of the intractable issues – Brazil's position was very firm on this

- **Opt A** *[Pursuant to Article 6, paragraph 5, a Party hosting Article 6, paragraph 4, activities shall make a corresponding adjustment consistent with the guidance for cooperative approaches referred to in Article 6, paragraph 2 of the Paris Agreement for all emission reductions[, if those emission reductions are transferred internationally][from [X date]].]*
- **Opt B** *[Pursuant to Article 6, paragraph 5, a Party hosting Article 6, paragraph 4, activities shall make a corresponding adjustment consistent with the guidance for cooperative approaches referred to in Article 6, paragraph 2, only to emission reductions that are included in the sectors and greenhouse gases covered by its NDC[, if those emission reductions are transferred internationally] [from [X date]].]*
- **Opt C** *[A Party hosting Article 6, paragraph 4, activities shall not be required to make a corresponding adjustment consistent with the guidance for cooperative approaches referred to in Article 6, paragraph 2 for the first transfer of A6.4ERs from the mechanism registry. Pursuant to Article 6, paragraph 5, a Party transferring after the first transfer or acquiring emission reductions from the mechanism shall make a corresponding adjustment consistent with the guidance for cooperative approaches referred to in Article 6, paragraph 2.]*

Transition from KP mechanisms

- Another issue that was very difficult given the positions of a number of countries on this topic
- In the L doc it was put in the WP
- Some Parties felt that the KP legacy had to be recognized and credited – even if there was some modulation in positions
- Transition of activities – no transition; may be registered under certain conditions; may use an expedited registration process to be defined
- Transition of ERUs and CERs – cannot be used; prior/after 2021/may be issued

(main ?) Issues

- How to deal with non CO2 metrics- why so much resistance?
- How to address CA – is the issue
 - I/O/B NDC
 - First issuance
 - Both
- How do we articulate tracking – CA – reporting
- Do we include provisions not in the PA?
- Single year/multi year accounting?
- Continuity of KP mechanisms an Art 6 decision?

Way forward

- Political compromises
- Simplifications – e.g. only Parties willing to express NDCs in budgets
- Centralization of functions – e.g. Art 6 Supv. Committee