

Chair's reflection notes on ERCST' Article 6 workshop on October 28, 2020:

*The Doha Amendment entering
into force, CDM EB post-2020
and what can be learned from
pilots towards Art 6 negotiations*

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This note is meant as an aide-memoire and reflects issues and a logic that has captured the attention of the Chair of the meeting that took place on October 28, 2020. It is in no way meant as a summary, or an endorsement by the author, or the participants in the meeting, of any of the issues or views captured in this note.

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Doha Amendment entering into force

- In October, 144 countries ratified the amendment, reaching the minimum number of participants for the Doha Amendment to legally enter into force. This means that the Amendment will formally enter into force by the end of 2020, establishing a second commitment period to the Kyoto Protocol. Parties will be able to formally use CERs for compliance with their second commitment period targets.
- Regarding JI, the implications of the entry into force of Doha mean that there is potential for AAUs and RMUs to convert into ERUs for the second commitment period. However, the activity level of JI is difficult to anticipate. The JISC will assess information on participation in its next meeting and decide what to recommend to the next CMP.
- From a technical side, share of proceeds are ready to be implemented. To the extent that AAUs are transferred and ERUs are created, there will be a share of proceeds that will go to the Adaptation Fund.

Update on CDM EB developments

- In September, at its 107th meeting, the EB held deliberations on the implications of the postponement of the CMP.16 on CDM operations after the second commitment period. More specifically, this relates to the registration of CDM activities post-2020. The board also considered the case for renewal of crediting periods starting in 2021.
- In the CDM EB 107 report,
 - The EB clarified that the CDM accreditation activities will continue until further guidance by the CMP is provided.
 - The EB noted that submission and processing issuance requests for emissions reductions achieved on or before December 31, 2020 will continue in accordance with CDM requirements.
 - The EB considered the postponement of CMP.16 on CDM operations (registration, renewal and issuance starting on or achieved after January 1, 2021) and agreed to continue this discussion at EB 108.
 - Regarding cases related to 2021 that are under review, the EB was unable to reach an agreement and will continue deliberations at EB 108.

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- It was noted that the EB requested guidance from CMP.15 in December 2019 on issues related to post-2020 operations but the CMP.15 was unable to come to an agreement and deliver recommendations to the EB.
 - Stakeholders are concerned about these issues and are putting pressure on the EB to make a decision.
- One view arising from the discussion does not see the CDM EB as having a legal mandate to register projects or renew crediting periods post-2020. As there is no third commitment period beyond 2020, the legal mandate of the EB expires at the end of the second commitment period. A decision by the EB to continue operating post-2020 can be seen as prejudicial to the ongoing discussions related to Article 6 of the Paris Agreement.
- An alternative point argues that EB also does not have a legal mandate to completely cease CDM operations, so the legal foundation of the former position is disputable. As such, the situation needs to be looked at in a broader framing to also consider the concerns of stakeholders and the importance of CDM and its activities. Ultimately, Parties need to recognize the benefits of avoiding a gap in the transition to the Paris Agreement system.

What can be learned from A6 pilots?

- There was a presentation on an Article 6 pilot about preparing a cooperation framework that is in line with the context set by Article 6 through a bilateral agreement that provides a general set of criteria.
- Compared to the CDM, in the context of the Paris Agreement it is more challenging to set up a pilot because it requires a high degree of engagement from both participating Parties, especially considering that the decision to authorize projects has implications for NDCs and countries are at a relatively early stage in deciding how to make use of Article 6. In addition, there is uncertainty about the Article 6 rulebook.
- These difficulties make it worthwhile to have pilots because it is necessary to create credibility and provide answers to criticism of cooperation. However, it is noted that the process of creating a cooperation framework takes time and that Parties need to be aware of this challenge.
- It is recommended that future Article 6 arrangements should focus on transparency, both in terms of authorization of projects and transfers of ITMOs, as well as creating a space where Parties can communicate to other Parties and stakeholders that an activity is official.

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- A few considerations were highlighted regarding authorization:
 - In the pilot agreement, both Parties unilaterally decide whether or not to authorize (double authorization). A joint committee was considered but ultimately not included in the agreement.
 - Ideally, authorization of a project gives certainty of transfers.
 - Regardless of whether a project is inside or outside of the NDC, there are corresponding adjustments for authorized units, and it is up to both Parties to make sure this is reflected correctly.
- Without having certainty on how it will materialize, participating parties in the pilot decided to include authorization for purposes other than NDC. This decision leaves open the possibility of transferring credits to other entities within participating parties to be used for voluntary markets.
- It is noted that the approach taken for the pilot – namely signing a bilateral agreement first and considering the domestic implications of Article 6, such as impacts on NDC, afterwards – can also be done the other way around, where Parties first consider the domestic context before engaging in bilateral negotiations.
- While institutional arrangements are not yet in place, the pilot agreement already identified the competent entities for authorization of projects (Ministries of Environment). After authorization of projects, government leaves implementation of the project to private sector.