

Subsidiary Body for Scientific and Technological Advice

Chair's summary, informal consultations/informal technical expert dialogue on Article 6 of the Paris Agreement

Any other matters identified by Parties

Background

In relation to Article 6 of the Paris Agreement¹, in the context of the June 2021 subsidiary bodies sessional period, the SBSTA Chair, Mr. Tosi Mpanu Mpanu organized an informal consultation/informal technical expert dialogue on any other matters identified by Parties on 12/13 June 2021. The discussion was facilitated by Peer Stiansen of Norway and Hugh Sealy of Barbados. This summary is produced by the SBSTA Chair under his own authority.

This summary aims to capture possible options for further consideration by Parties and Heads of Delegation. It is informal in nature, has no status, and does not provide negotiation text. It does not attempt to provide a record of all views expressed during the dialogue and in submissions, nor indicate the support each of the options appeared to have.

In relation to the topic of the dialogue, as at 13 June 2021, 1 Party, and no observers had made informal submissions². This summary includes content from the Party submissions and interventions that relate to options.

The informal consultations/informal technical expert dialogue

Parties indicated various views on the topics under discussions and responded to guiding questions provided by the SBSTA Chair as follows:

Guiding Questions:

- What are the appropriate principles for baselines and additionality for the 6.4 mechanism?
- What capacity building is needed to implement Article 6, for whom, by whom and how should it be carried out?
- What other substantive issues need to be addressed?

Possible options for further consideration

Interventions focused on a number of possible options in relation to each topic, that are set out below. In each case, the option has been introduced by at least one Party/group, but this summary does not seek to indicate how much support there is among Parties for each option, as Parties are familiar with the views expressed in submissions and interventions. Argumentation provided in the submissions or interventions to

¹ Documents relating to Article 6 negotiations since 2016 can be accessed here: <https://unfccc.int/process/the-paris-agreement/cooperative-implementation>

² <https://unfccc.int/process-and-meetings/the-paris-agreement/cooperative-implementation/submissions-informal-technical-expert-dialogues-on-article-6-of-the-paris-agreement#eq-10>

support the various options are set out in italics and in abbreviated and consolidated form below the relevant option.

Baselines and additionality in 6.4

Interventions addressed numerous aspects of baselines and additionality.

Principles for baseline methodologies

Options for baselines were identified, which are not mutually exclusive:

- **Transparent and conservative approach and requirements per paragraph 35 of the third draft Presidency Text.**
- **Must deliver real, measurable and long-term benefits related to climate change for both participating Parties**
- **Be below a business as usual (BAU) level for ensuring environmental integrity**
- **Contribute to the implementation and achievement of host Parties' NDCs, long-term low greenhouse gas emissions development strategies (LT-LEDS), and the Paris long term goals**
- **Consider relevant circumstances including national, regional or local social circumstances, including the changing circumstances over time (ex: renewal, more dynamic baseline)**
- **Ensure environmental integrity;**
- **Minimize the risk of non-permanence of emission reductions over multiple NDC implementation periods, and, where reversals occur, ensure that these are addressed in full;**
- **Consider relevant national and/or sectoral policies and circumstances**
- **Baselines need to deliver an explicit host country benefit, as required by the Article 6, paragraph 4 aims, including own benefit and overall mitigation of global emissions.**

Sub-options were identified:

- **Consider all policies**
- **Leave to the host Party to decide what to consider.**

Baseline approaches

Options were identified, which are not mutually exclusive:

- **Host country benefit**

Argumentation: Baselines need to deliver an explicit host country benefit, as required by the Article 6, paragraph 4 aims, including own benefit and overall mitigation of global emissions.

- **Absence of the activity**

Argumentation: The baseline for the project activity is the scenario that reasonably represents the anthropogenic emissions by sources of greenhouse gases that would occur in the absence of the proposed project activity.

- **Forward looking, performance or benchmark-based approach**

Argumentation: Single approach to baseline setting benchmark based on an emission standard determined with reference to best performance in class available; best available technologies or best available approach. The best performance is determined by a process, informed by parties and

stakeholders, considering relevant circumstances. It is transformative and beyond historical emissions and business as usual and departs from the CDM approach of comparison to previous activities. The approach should be defined for individual sectors and classes of activities.

Argumentation: The values need to be determined at regional and country level, to incentivise the best approaches, while securing host country benefit, so further definition of BAT is needed. For example, by reference to the top 20 per cent in the last five years per paragraph 48 of the CDM modalities and procedures, and paragraph 41 a in the second draft Presidency Text, and by adding a qualifier such as the top 10/20/X % of comparable activities. This approach also satisfies “conservativeness” and avoid over-crediting.

Argumentation: Inclusion of regional BAT or regional performance-based approaches.

- **CDM baseline method to be included (para 48 a, b, c)**

Argumentation: The baseline approaches which are already defined in the modalities and procedures of the CDM, should be included in the RMPs. The experience gained from CDM and other standards should be taken into account.

- **Historical emissions**

Argumentation: Best approach for ensuring credibility in activity outcomes and means no barriers to participations.

- **Further discussion is needed**

Argumentation: The different approaches (performance based, best available technology, benchmark, or where not above then projected or historical) need further discussions and must be linked to the type of projects and addressed in the methodologies on based on tools for a groups of methodologies (need to elaborate different tools to be used taken into account the principles of the Paris Agreement).

One approach/multiple baseline approaches

Options were identified, which may not be mutually exclusive:

- **Choice of baseline approaches**

Argumentation: Multiple baseline approaches are needed to recognize there are different types of activities and different states of development. The choice has to be justified.

- **Hierarchy-based**

Argumentation: Option A from the first and second draft Presidency Texts are appropriate.

- **Menu-based**

Argumentation: Option B from the first and second draft Presidency Texts.

Standardized baselines

Options were identified:

- **Standardized baseline as defined in third draft Presidency Text to be operationalized**
- **Standardized baselines may be developed by the supervisory body at the request of the host Party or may be developed by the host Party and approved by the supervisory body. Standardized baselines shall be established at the highest possible level of aggregation in the relevant sector of the host Party.**

- **Definition of regional BATs and “performance-based” baselines for developing standardized baselines should be further elaborated by the supervisory body.**
- **Need for specific methodologies or groups of methodologies with clear assumptions, parameters, data factors, national and sectoral policies. DOEs and host country DNA need to assess how policies in country NDC relate to baseline.**

Decision on baselines at CMA3

Options were identified:

- **Work from the principles, with more detailed guidance developed through a work programme or technical details decided by the supervisory body.**
- **Adopt operational language on baselines and additionality with a clear mandate by the CMA to the supervisory body, principles not being enough.**

Additionality

Options were identified, which are not mutually exclusive:

- **Based on 1/CP.21 paragraph 37 (d)**

Argumentation: The project is additional if anthropogenic emissions of greenhouse gases by sources are reduced below those that would have occurred in the absence of the project activity.

- **Regulatory surplus**

Argumentation: If an activity exceeds the certain emission reduction level which is required by law, regulation, or another legally binding mandate in the host Party, that activity can be deemed additional.

Argumentation: The additionality test under the CDM has required complicated demonstration and has imposed significant burdens on project participants.

- **“Level of enforcement”**

Argumentation: The real level of enforcement of the law, regulation, or another legally binding mandate in the host Party, that activity can be deemed additional. Parties have different capacity to enforce laws and regulation.

- **The approaches from CDM are acceptable**

- **Transformative**

Argumentation: Additionality should be focused on incentivising transformative projects, financial viability is not enough as a basis of assessment.

- **Positive list of automatically additional projects and programmes of activities**

Argumentation: It is important to allow for the use of positive lists and suppressed demand for certain type of projects and for certain countries.

- **Additionality compared to the NDC**

Sub-options were identified:

- **Additionality is not determined as over and beyond NDC.**

Argumentation: Additionality does not mean to go beyond your NDCs, due to several reasons (including of the prohibitive barriers, conditionality of the NDC related to international carbon finance etc.)

- **Additionality is beyond the NDC**

Capacity building

Subjects

Options, which are not mutually exclusive, were identified on the subjects for capacity building:

- The Article 6.2 guidance, the 6.4 rules, modalities and procedures and the 6.8 framework in general
- Participation requirements in 6.2 and 6.4 to ensure robust national frameworks; national institutional and legal arrangements including for authorization of ITMOs, approval of activities, and infrastructure such as a registry
- Reporting requirements to enable Parties to provide initial reports, annual information, annual information reports and regular information in coordination with Article 13 capacity building
- Application of accounting methods
- Verification methods for the 6.4 mechanism
- Baseline methodologies, enabling Parties to understand and set baselines
- Any decisions relating to CDM transition and the engagement of the Party in those processes
- Use of A6 towards carbon neutrality for private sector
- Technical support in relation to transition from certain technologies as part of 6.8 such as decommissioning of carbon intensive technologies

Target audience

Options, which are not mutually exclusive, were identified on the target audience of Article 6 capacity building:

- Developing countries Parties/Host Parties (Designated National Authorities, government officials)
- LDCs and SIDS
- Parties that register non-market approaches (NMAs) to be scaled up at the national, regional and global level
- Developed country Parties
- Private sector entities interested in engaging in Article 6 activities
- Local government
- Experts nominated by Parties to be members of the A6 technical expert review teams
- Designated operational entities for the 6.4 mechanism especially in developing countries
- Other stakeholders

Providers

Options, which are not mutually exclusive, were identified on the organizations that could provide capacity building:

- The secretariat, including its Regional Collaboration Centers, which could establish and deliver a capacity building programme for Article 6 through a dedicated unit/team at the secretariat
- The Paris Committee on Capacity Building
- The Global Environment Facility, through the Capacity Building Initiative for Transparency (CBIT)
- Facilitative mechanism that is proposed to serve as a tool for guiding and enhancing NMAs
- UN agencies
- Multilateral development banks
- Bilateral cooperation among Parties
- NGOs that possess the necessary skills

Methods

Options, which are not mutually exclusive, were identified on methods for delivery of capacity building:

- Through a dedicated capacity building programme by the secretariat
- Through a dedicated capacity building programme with specific mandates and funding requirements similar to those of the CBIT
- Through online and in-person training workshops and joint learning initiatives by sharing experiences, multilaterally (e.g. the Designated National Authorities Forum by the secretariat), regionally (e.g. climate weeks) or bilaterally
- Through the coordination of the relevant bodies, institutional arrangements and processes of the Convention, the Kyoto Protocol and the Paris Agreement
- Funded through funding allocated from the CDM trust fund and/or provided by developed country Parties.

Other matters identified by Parties

Other matters identified by Parties included:

- There should be no limitations to the uses of technologies in Article 6 so long as they lead to a net reduction in GHG emissions. There should be equal treatment for all technologies in both 6.2 and 6.4. All necessary incentives should also be ensured for emission removal activities.
- All the elements discussed on baseline and additionality under Article 6.4 mechanism should also apply to Article 6.2 activities, so there is a need for further work on these elements for certain types of cooperation under Article 6.2.
- Baseline rules should not restrict in which sectors cooperation can take place

Interventions identified possible further dialogues/workshops/technical papers under the SBSTA in 2021 and prior to CMA.3:

- The methods for corresponding adjustments, to work through some examples collectively to understand how the method ensures the requirements of the chapeau of paragraph 8 of the third draft Presidency Text on 6.2 guidance.
- Non-GHG accounting and conversion approaches.
- Other mitigation purposes including definitions, obligations, metrics, reporting and review.
- The Article 6.2 reporting cycle, including reporting outlines and the review process to confirm the sequence of reporting and review would work. Developing reporting formats and testing how they work, including their interaction with Article 13 reporting formats.
- Article 6 infrastructure, including technical information from the secretariat on feasibility of certain infrastructure options and lessons learned in managing the Kyoto Protocol infrastructure and other Article 6-relevant infrastructure.
- Adaptation financing from 6.2 and application of OMGE in 6.2.
- Safeguards and limits in the context of reporting in relation to human rights and indigenous peoples and ensuring environmental integrity and contribution to sustainable development.
- Response measures provisions, to assess whether it would be better to have coordination by the supervisory body with other bodies under the Convention.

Interventions requested specific further work:

- The secretariat should be tasked to prepare an informal risk assessment and technical analysis on the impact of different options on ambition, including the extent on weakening ambition. This should cover transition of units, continuation of methodologies, activities, the impact of the possible cut-off registration dates for CDM activities and choice implications of particular non-GHG metrics.
- Workshops on baselines before COP26, and a call for written submissions.
- The secretariat should be tasked to do technical work on baselines and additionality using the vast range of materials published on baselines and additionality, including on:
 - Standardized baselines, positive lists and suppressed demand;
 - How to achieve balance in application between 6.2 and 6.4;
 - Impact on comparability from the choice of baseline approaches by comparing approaches such as projected and historical emissions to approaches such as performance-based (e.g. best available technology and benchmarking).
