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**Subsidiary Body for Scientific and Technological Advice**

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

**Implementing overall mitigation in global emissions in the Article 6.4 mechanism**

**Background**

In relation to Article 6 of the Paris Agreement<sup>1</sup>, 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 implementing overall mitigation in global emissions (OMGE) in the Article 6.4 mechanism on 6 June 2021. The discussion was facilitated by Hugh Sealy of Barbados and Peer Stiansen of Norway. 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 7 June 2021, 1 Party, and no observers had made informal submissions<sup>2</sup>. This summary includes content from the Party submission and interventions that relate to options.

**The informal consultations/informal technical expert dialogue**

Parties indicated various views on implementing overall mitigation in global emissions in the Article 6.4 mechanism. Interventions made, and some submissions, responded to guiding questions provided by the SBSTA Chair as follows:

**Guiding Questions:**

- What is/are the optimal method(s) for implementing overall mitigation of global emissions?
- How can the impact of OMGE be aggregated and reported (e.g. for the global stocktake (GST))?

**General points**

The following general points were made:

- There should be equal treatment of this issue as between 6.2 and 6.4. If there is only OMGE in 6.4, it makes use of 6.4 less attractive as compared to 6.2. There must be balance between the two instruments in this regard.
- In view of the mitigation gap and the need for drastic emission reductions by 2030 to remain within the 1.5°C temperature limit, it is now necessary to go beyond zero-sum offsetting approaches.
- There is no provision for OMGE in cooperative approaches per Article 6.2.
- OMGE is separate to and complementary to raising ambition, shorter crediting periods and conservative baselines etc., which are about environmental integrity and the additional emission reductions remain

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

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

available to the host Party to use towards their NDC. OMGE is not achieved by using limited crediting periods and conservative baselines. OMGE is about innate emission reductions and not just about moving emission reductions around. Delivering OMGE means going beyond zero-sum emission reductions.

- Robust rules for the mechanism are needed first and are achieved through its design and accounting rules, including host country benefit, ambition in baselines and rules on corresponding adjustments.
- OMGE can be understood as the result of the sum of emission reductions and removals achieved by the NDCs and the total use of units by non-Party stakeholders for non-NDC uses outside the NDC, so we need full data on unit transactions, and comprehensive reporting and tracking and to have linkages between the Article 6 infrastructure and the voluntary market.
- All Article 6 instruments must be implemented fully and equally, in a balanced manner and at the same pace.
- 6.4 is understood as a non-market approach and so OMGE proposals could create distortion.

### **Possible options for further consideration**

Interventions focused on a number of possible options in relation to overall mitigation in global emissions, 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 submission- or interventions to support the various options are set out in italics and in abbreviated and consolidated form below the relevant option.

### **6.4 mechanism**

The following options were identified in relation to implementation of OMGE in the 6.4 mechanism:

- **Mandatory cancellation at issuance at X/10/20/30 per cent of total issued volume rate**

*Argumentation: A mandatory cancellation at issuance is simple, automatic and administratively easy. It enables quantification of the portion of the emission reductions that will not be used to offset emissions elsewhere, ensuring OMGE is achieved and a portion of the emission reductions are no longer available for the host Party's NDC, any other NDC or for any other purpose. The third draft Presidency text contains the appropriate architecture. The components are mandatory cancellation at issuance, a corresponding adjustment (see sub-options below), a mandatory transfer of a fixed percentage of issued 6.4ERs to a cancellation account in the mechanism registry specifically for OMGE, where these units may not be further transferred or used for any other purpose. The rate should be based on the first draft Presidency text; namely X/10/20/30 per cent, for further discussions during 2021.*

*Argumentation: the rate should be reviewed every 5 years.*

A sub-option was identified:

- **Corresponding adjustment for the full amount of issued 6.4ERs**

*Argumentation: The corresponding adjustment by the host Party is necessary as otherwise the cancellation would have no impact on global emissions, and Article 6.4 (d) would not be satisfied.*

- **Corresponding adjustment for 6.4ERs that are transferred internationally.**

*Argumentation: The obligation on the host Party to correspondingly adjust for the 6.4 ER only applies where the 6.4ER is internationally transferred and does not apply for the OMGE portion. Where issued 6.4ERs are used domestically there should be no requirement to correspondingly adjust. As a result, paragraph 67 (a) of the third draft Presidency text should not be included in that section VIII.*

- **Host and acquiring Party share the responsibility to ensure OMGE**

*Argumentation: Host Party and transferring-in/acquiring Party share responsibility. The Host Party ensures OMGE through conservative baselines for the activities and an automatic cancellation is applied to 6.4ERs in the transferring-in/acquiring Party account – the relevant percentage of 6.4ERs are transferred to a dedicated OMGE account in the mechanism registry where they are cancelled.*

- **OMGE can be achieved through technical solutions plus voluntary cancellation**

*Argumentation: Article 6, paragraph 4 (d) does not require discounting. It is a requirement from 1/CP.21 that emission reductions are real and verified and the mechanism itself delivers OMGE. The focus should be on a combination of technical solutions, including voluntary cancellation of 6.4ERs if the Party chooses to do so. Corresponding adjustments are not relevant to this issue. In this regard, option B of the second draft Presidency text is appropriate (see paragraphs 79 and 80).*

*Argumentation: The wording in Article 6, paragraph 4 is “aim to deliver”. OMGE can be delivered through robust baselines and additionality and avoiding double counting. The language can be a voluntary encouragement to Host Parties. A similar encouragement could be made to project participants; at any time from registration onwards they could voluntarily cancel a portion for OMGE. User Parties could also voluntarily cancel 6.4ERs for OMGE. A sub-account in the mechanism registry could be set up for the purpose of voluntary cancellation*

- **OMGE is to be achieved through conservative baselines**

*Argumentation: OMGE can be measured through conservativeness for baselines and assessments of additionality. Metrics or parameters can be specified in the methodology that enables emission reductions for OMGE to be measured. In any event, applying conservative baselines that are below business as usual and applying conservative default emission factors in calculating emission reductions does contribute to overall emission reductions, hence, it will deliver OMGE.*

*Argumentation: Conservative baselines and limited crediting periods would create own benefit and not ensure that the mechanism delivers OMGE.*

- **6.4ERs for share of proceeds for adaptation can be voluntarily cancelled for OMGE**

*Argumentation: A proposal during COP25 in Madrid to offer for voluntary cancellation the 6.4ERs that are levied for SOP Adaptation for the Adaptation Fund did not gain much traction due to the perceived lack of demand for such 6.4 units. The proposal was for a platform where SOP Adaptation 6.4ERs are offered for voluntary cancellation that thus ensures those units are not used for NDCs and at the same time delivers income to the Adaptation Fund. The proposal could be reconsidered in the context of this increased interest and demand in the voluntary market since COP25.*

- **Alternative approach to 6.4 as a NMA, alternative approach to OMGE**

*Argumentation: If the 6.4 mechanism is seen as a non-market approach (NMA), OMGE should not be addressed as a tariff on international transfers. The framework for NMA would bring robust monitoring, reporting and verification and OMGE would be seen in the context of reporting towards a common goal.*

## **6.2 cooperative approaches**

In addition to addressing context and guiding questions related to 6.4, a number of interventions addressed the question of balance, and the need for equal treatment of this issue between 6.2 and 6.4 in order not to disincentivize participation in the 6.4 mechanism. Interventions also addressed the question of whether

Article 6 provided for OMGE in relation to cooperative approaches or only in relation to the 6.4 mechanism and noted that if 6.4 has a robust design it will be attractive to users due to its centralized nature.

The following options were identified:

- **OMGE is achieved in a similar manner as for the 6.4 mechanism**

*Argumentation: In order to maintain balance between 6.2 and 6.4, OMGE should be implemented in relation to cooperative approaches in a manner similar to its implementation in the 6.4 mechanism. That information should be reported under the initial report, annual information and regular information.*

- **Encouragement to voluntarily cancel ITMOs in relation to the cooperative approach for OMGE**

*Argumentation: The third draft Presidency text represented the compromise approach of an encouragement to Parties and stakeholders to voluntarily cancel ITMOs for OMGE at a rate commensurate with the scale for the 6.4 mechanism, with those ITMOs not being then used towards NDCs or other international mitigation purposes. This remains an acceptable compromise.*

- **No provisions on OMGE**

*Argumentation: Cooperative approaches have their own systems, including price floors and other constraints that can deliver OMGE in a manner that is appropriate to the way the cooperative approach works. That information is reported under the initial report, annual information and regular information. The 6.4 mechanism is endorsed and overseen by the UNFCCC, which already gives it an advantage over other mechanisms.*

### **Understanding the impact of OMGE**

Interventions covered the following options:

- **Where OMGE is operationalised through cancellation, reporting through initial reports, annual information and regular information per Article 6.2 for cooperative approaches and by the supervisory body annually/periodically to the CMA in relation to 6.4 mechanism OMGE enable Parties to understand the impact of OMGE.**

*Argumentation: Requirements to report can provide clarity on the level/amount of OMGE achieved. The information reported per 6.2 guidance would be included in the initial report, annual information, regular information and the biennial transparency reports and be recorded in the Centralized Accounting and Reporting Platform, so the amount of OMGE achieved would be transparent. In addition, the supervisory body could annually report on OMGE to the CMA in its annual report or report this information periodically. The information would be available from the 6.4 registry. The information reported in this way would be part of the GST.*

- **Where OMGE is achieved through technical solutions including conservativeness and voluntary cancellation**

*Argumentation: In relation to 6.4 OMGE, the various methods for implementation could be compiled into a report from the supervisory body to the CMA, and a panel of the supervisory body could collate that information, including through technical tools for quantifying and estimating the conservativeness. Information on voluntary cancellation could be compiled through registry reports.*

- **OMGE should be applied only once**

*Argumentation:* OMGE should not be applied more than once – if it applies to the 6.4 mechanism in respect of an activity, internationally transferred 6.4ERs from that activity should not subsequently have OMGE applied to them per 6.2 guidance.

#### **Other points**

The following points were identified:

- With regard to the input to the GST, the information collected and the preparatory period on this subject will be starting from this November based on 19/CMA.1, so how the GST will be organized should not be addressed here.
- The review of the percentage allocation to OMGE in the mandatory cancellation option should be undertaken by SBSTA or supervisory body every five years and finalized by the next meeting of that body, taking into consideration the outcomes of the GST.
- The review of the percentage at any time per the third draft Presidency text creates undesirable investment uncertainty.
- Further work before COP26, by the secretariat could review the options in terms of the impact on ambition or the quantitative impact of options, to help Parties take decisions.

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