

July Ministerial Meeting - Finalising Article 6 in the Paris Rulebook

At the recent virtual consultations on 7 and 12 July, ministers were asked to share views and possible solutions on three key issues which have been identified by a wide variety of groups and Parties as requiring ministerial attention to resolve. A number of groups and Parties raised potential solutions. These are summarised below. They do not necessarily represent any Party's preferred position, but instead possible options to move forward.

At the meeting, ministers will be divided into breakout groups and invited to address the following questions:

- Could these options form the basis of a workable solution?
- Are there additional elements, either within Article 6 or the wider negotiated package, that could help make these options a workable solution?
- What kind of data would be useful to inform ministers of the impacts and trade-offs?

During the virtual consultations, ministers raised other issues they also considered important, such as the implementation of the work programme under Article 6.8. Ministers are encouraged to suggest how addressing these issues can help to achieve a balanced outcome, including in the context of workable solutions on the three issues listed below.

1) Avoiding double claiming through the Article 6.4 mechanism

All parties stressed the importance of avoiding double claiming, but views differed on the risk of allowing emission reductions to be generated from emissions not covered by the scope of the host Party's NDC, and used to achieve another Party's NDC, without being subject to a corresponding adjustment.

Bridging option(s) proposed during consultations:

- That units generated outside of the scope of NDCs would not be subject to corresponding adjustment, for a defined time period;
- During this defined period, Parties to whom this flexibility applies would identify upfront whether an Article 6 activity is outside of scope of their NDCs;
- After this defined time period, all units, whether generated inside or outside of the scope of NDCs, will be subject to corresponding adjustment;
- A comprehensive tracking system using registries will assist in avoiding double counting;
- Additional limits on activities taking place outside of the scope of NDCs.

2) Use of pre-2020 units to meet NDC targets

Parties expressed divergent views on the relative importance and risks of preserving the confidence of existing market actors and protecting overall NDC ambition.

Bridging option(s) proposed during consultations:

- Some, but not all, pre-2020 units could be eligible for use to meet NDC targets;
- Parties could also consider additional measures, such as:
 - Safeguards to protect NDC ambition;

- Ensure balanced regional participation in the Article 6.4 mechanism;
- A reserve in which pre-2020 units could be held;
- Alternatively, Parties could consider addressing this issue under discussions on enhanced action prior to 2020.

3) Supporting adaptation action through Article 6

All Parties agreed on the importance of predictable adaptation finance. Parties were divided on how Article 6 should contribute: many called for equal treatment between Articles 6.2 and 6.4, with a mandatory Share of Proceeds on Article 6.2 activity; while others argued there was no legal basis for such a provision and that it would discourage mitigation action and not be workable for certain types of cooperation.

Bridging option(s) proposed during consultations:

- Given the divergence in views, there was no clear bridging option proposed; however, possible areas for discussion included:
 - How do we ensure more stable and reliable sources of finance;
 - Further exploration of a model of voluntary encouragement for adaptation resources, including through finance and mandatory reporting requirement related to activity under Article 6.2, as proposed in the final version of the COP25 Presidency text;
 - Consideration of how a mandatory Share of Proceeds might apply to different types of activity taking place under Article 6.2, recognising the potential differences between Article 6.2 and 6.4 activities.