

Chair's reflection note **ERCST Informal Dialogue on Article 6** **June 24, 2021**

*General impressions from SBSTA, capacity
building, landing zones, political messages*

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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 June 24, 2021. 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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General impressions from SBSTA sessions on Art 6

- The issues covered in the discussion were more balanced to address priorities of most of the Parties. At the same time, negotiators used the extra time due to the postponement of COP26 to better understand what is in the text. As a result, the discussions benefited from a better understanding regarding:
 - o What is in the draft Madrid text and how do Parties react to it
 - o Remaining gaps
 - o What are the implications of the different options
- Progress on technical issues remained relative, some progress could be observed on the following topics:
 - o General agreement on the need for capacity building
 - o Strong opposition to CDM transition became more open for transitioning with limitations
 - o Understanding on what OMGE means matured
 - o Elaboration on non-GHG emissions trading
 - o How to move forward on implementing the framework for NMAs under Article 6.8
- Several points of blockage could be identified:
 - o The deadlock on some of the major issues remained the same, therefore there is a need for political input. At the same time, it is the responsibility of the technical experts to make sure the ministerial level can make informed decisions by presenting clear information on the impacts of each option.
 - o Real ambition is missing, instead of focusing on the future, legacy issues are still discussed. As a result, there was only limited flexibility and no real bridging proposals.
 - o Discussions on Article 6 could benefit greatly from momentum on other parts of the Paris Agreement such as transparency, finance and NDC ambition.
- For future work, one point was made regarding the reporting cycle. There is a need for a roadmap that outlines the steps of the reporting cycle to better understand how the cycle works and assess the impact of the different options that are on the table.

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Capacity building

- It is becoming clear that the role of the host Party in carbon markets under Article 6 will be larger compared to the Kyoto Protocol – which was largely restricted to signing letter of approval. Not only will the host Party be required to have in place substantial infrastructure and institutional arrangements, but there is also a need to assess the impact of engaging in Article 6 on the capability of host Parties to reach NDC targets.
- Capacity building needs go beyond merely organizing workshops to also address.
 - o market access
 - o institutional capacity
 - o training
- It is necessary to identify what kind of capacity building is needed and who needs to deliver this.
- Capacity building is needed both at the project level, as well as at the level of NDC implementation, long-term LEDS, transformational change, SDG strategies etc. Host countries should be empowered to build their own competencies to create ownership of mitigation plans.
- It was also noted that capacity building is unlikely to ensure that ambition is increased, however it will most likely help Parties to achieve their NDC targets.

Landing zones and political messages

- When discussing landing zones, it is difficult to focus on individual issues. Instead the focus should be on packages of balanced outcomes. Therefore, it is necessary to go beyond explaining positions but discuss interests and solutions.
- Some landing zone options that were stated include:
 - o CDM transition period possible but subject to limitations and the post-transition rules need to be clear upfront.
 - o Instead of only 1 or 2 options for methodologies, possible to provide a menu of options to the supervisory board
- These middle ground solutions need to be assessed at the technical level to explore their impacts before elevating them to the political level.
- At the same time, expectations on what can be achieved at COP26 need to be realistic. Instead of focusing on perfecting the rules before reaching an agreement, it is possible to introduce a review process to enhance the rules over time.
- When the technical level prepares options to bring to the political level, it needs to consider the need for ambition and realities on the ground in terms of investor confidence, among others to ensure that the political level can make informed decisions.