



Roundtable on Article 6.4

SBSTA 11b

AOSIS Presentation

November 4, 2017

Overarching issues



- Article 6.4 ***needs to add value***, by
 - helping countries achieve their NDCs at least cost,
 - facilitating the engagement of private entities in emission reduction activities, and
 - providing Parties with the ***opportunity*** and ***incentive*** to support emission reduction activities that generate transferable emission reductions that can be used by Parties toward achievement of their NDCs,
 - ***but also at the same time generating a substantial “overall mitigation in global emissions”*** that the atmosphere sees, and from which everyone benefits
- **Contribution to net mitigation**, through the delivery of an overall mitigation in global emissions, will create an **inherent value** in Article 6.4 units, beyond offsetting, and will inspire **greater confidence** in the mechanism.
- **Contribution to adaptation**, through share of proceeds from Article 6 activities, will support developing countries particularly vulnerable to the adverse effects of climate change in meeting costs of adaptation.

1. What are the options for establishing additionality and/or baselines in the context of the host Party's NDC?



- To ensure environmental integrity, the rules, modalities and procedures will have to address the **quality** of any emission reductions being generated for use or transfer.
- Reductions in emissions must be **additional** to any that would otherwise occur (para. 37(d))
- Conservative baselines needed to protect additionality, manage potential for hot air
- Focusing on specific scopes of activities may facilitate the development of a core set of methodologies
- Stringent standards and criteria needed in moving to sectoral approaches
- Crediting period lengths that do not undermine additionality, link to NDC timeframes?

Issues for consideration



- To protect environmental integrity, need to consider
 - Quantitative restrictions on transfers, e.g., to address complementarity or overselling
 - Restrictions on types of transfers
 - Quantitative restrictions on carryover
 - Restrictions on use of vintages of reductions
 - Restrictions in sectors with a high degree of uncertainty in emission estimates
 - ...
- Centralized systems could ensure any restrictions that are agreed are properly applied (international transaction log checks).

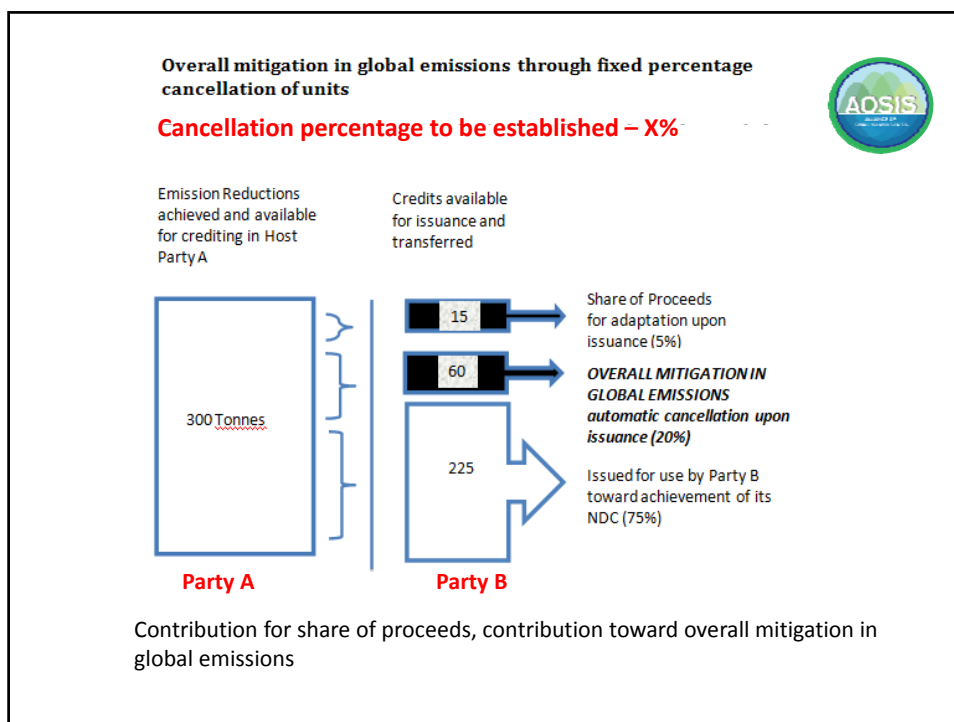
2. What are the options for implementing an overall mitigation of global emissions?



- An overall mitigation in global emissions (OMGE) takes place when emission reductions are delivered at a level that goes **beyond** what would be achieved through the delivery of the Host Party's NDC and the acquiring Party's NDC in aggregate – and **beyond offsetting**.
- This can be achieved by ensuring that some verified reductions are not used by either the Host or Acquiring Party toward their NDCs

- Options proposed by some Parties are valuable for environmental integrity, but **will not deliver an OMGE because they only impact the allocation** of reductions between host and acquiring Party in an offsetting context, assuming both Parties go on to achieve their NDCs:
 - **shorter crediting periods** – fewer reductions available for crediting and transfer, but more reductions retained by host Party
 - **conservative baselines** – fewer reductions available for crediting and transfer, but more reductions retained in host Party
 - **discount at generation** – fewer reductions transferred, more retained by host Party
- To achieve **net** atmospheric benefit/**overall mitigation in global emissions** - some reductions must be verified but credited to neither Party's NDC, with both Parties going on to achieve their NDCs:
 - **Cancellation** of units at issuance/transfer – reductions verified, corresponding adjustment, with % cancellation at transfer.
 - **Discount** at point of use toward NDC (e.g. tender 5 units to cover 4 tonnes of emissions).





Why do this?

- Create a benefit for the atmosphere – go beyond an offsetting function
- Create rationale for mechanism to operate under the UNFCCC
- Create an inherent value in Article 6.4 units, whether used toward NDCs or used elsewhere
- inspire greater confidence in Article 6.4 mechanism.
- Add value for all Parties – not just those engaged in trading system – through contribution to net mitigation and to adaptation

3. How can use of emission reductions from Article 6.4 activities by more than one Party to demonstrate achievement of its NDC be avoided?



- Article 6.2 guidance covers international transfers of Article 6.4 outcomes, where used towards NDCs
- Double counting could be avoided by robust accounting requiring corresponding adjustments for all transfers
 - Measures to address perverse incentives
- Avoidance of double counting, double claiming, double issuance addressed through “infrastructure” -- inter alia,
 - authorization by both Parties;
 - unique serial numbers for units, transfers indicating source Party/vintage of reduction, underlying ITMO activity type and facilitate tracking;
 - reliable registries;
 - an international transactions log; centralized accounting database.

4. What are the options for the transition of the rules/projects/credits under the KP if there is any transition at all?



- Kyoto Protocol is a separate treaty
- Much experience gained with and lessons learned from KP mechanisms to be built upon
- Important differences between Kyoto Protocol and Paris Agreement Article 6 context, including
 - All Parties now have NDCs
 - Avoidance of double counting of same reductions by multiple Parties toward pledged reductions is prohibited
 - Overall mitigation in global emissions required
- Ongoing activities registered under the CDM require consideration in the context of the new rules, modalities and procedures agreed under Article 6