



3. Paris Agreement Article 6

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PARIS AGREEMENT - INTRODUCTION

- International UN treaty on climate change
- Legally binding
- Adopted by 196 Parties at COP21 on 12 Dec. 2015
- Entered into force on 4 Nov. 2016
- **Under UNFCCC:**
The United Nations Framework Convention on Climate Change (UNFCCC) is the UN process for negotiating an **agreement to limit dangerous climate change.**



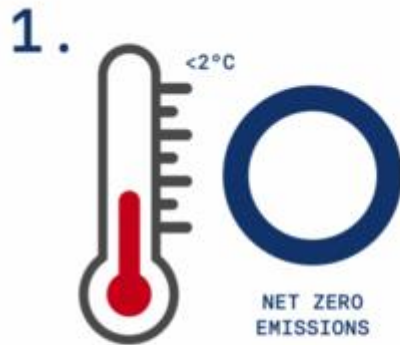
COP21 • CMP11
PARIS 2015
UN CLIMATE CHANGE CONFERENCE

PARIS AGREEMENT – COUNTRIES CONTRIBUTIONS IN NDC

- Each country communicate the actions they will take to reach the Paris Agreement in the **National Determined contributions (NDC)**.
- Both **unconditional targets and conditional targets** (only if support is provided from other countries or parties).
- NDC must include **activities to reduce greenhouse gas emissions**.
- NDCs may also include **activities to build resilience to adapt to the impacts of climate change**.



PARIS AGREEMENT – GOALS & OBJECTIVES



Limit the avg. global temperature increase to <math>< 2^{\circ}</math> centigrade + achieve net zero emissions by mid-century



Enhance resilience and adaptation to climate impacts certain to occur

What does all this have to do with the Article 6 of the Paris Agreement?



Align financial flows in the world with these objectives

PARIS AGREEMENT ARTICLE 6 – IN SHORT

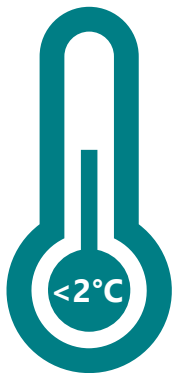
Finally!!!

Article 6 allows countries to voluntarily cooperate with each other to achieve emission reduction targets set out in their NDCs.

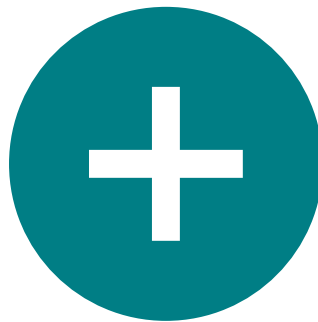
- ✓ Public Funds will not be enough
- ✓ Private Sector financing is needed too
- ✓ Voluntary cooperation between countries
- ✓ Glasgow Rulebook at COP26 in 2021
- ✓ Note: Art. 6 is one of totally 29 articles in Paris Agreement

PARIS AGREEMENT ARTICLE 6

Emission Reductions under Article 6
must be voluntary co-operations that are



Real



Additional



Verifiable

PARIS AGREEMENT'S ARTICLE 6.2 - ITMOS

Article 6.2 covers bilateral actions to reduce or remove GHG emissions:

Internationally transferred mitigation outcomes (ITMOs) between two governments that are Parties to the Paris Agreement

Key Features

- ✓ **Voluntary** “cooperative approach” for supporting achieving NDC targets
- ✓ **Country authorized trade** with bilateral agreed rules between parties
- ✓ **Corresponding Adjustment** to avoid double counting emission reductions. Use of existing registries to enable tracking and accounting of the transfer

Limitations

- × Limited trade opportunities, more ITMOs sellers compared to relatively few interested buyers currently
- × *Bilateral trade agreement* must be settled before mitigation outcome can be implemented and ITMO created. Creates a delay between mitigation implementation and payment and NDC accountability.
- × Open question whether ITMOs will include “emission avoidance”
- × *Might create a perverse incentive for host parties to keep their NDC ambition low*

PARIS AGREEMENT'S ARTICLE 6.4 - SDM

Article 6.4 creates a new multilateral mechanism to replace the old CDM.

A mechanism “to contribute to the mitigation of greenhouse gas emissions and support sustainable development”

Key Features

- ✓ **Multilateral mechanism** to create additional mitigation outcomes through a new supervisory board, a central accounting framework, a central registry, and an Article 6 database
- ✓ **Company trade** across two countries border is possible
- ✓ **Adaptation benefits:** 5% of the “share of proceeds” from carbon markets linked to the 6.4 multilateral mechanism will be transferred to the Global Adaptation Fund

Limitations

- × Time-consuming to set up administrative details for the mechanism. ADB estimate it could take until 2030 for all measures to be in place.
- × Concerns about assuring the permanence of the offsets still to be clarified
- × *Disallowance of any sharing of carbon credits from cross-border projects hinder bilateral mitigation development approaches* e.g. RE power generation in border areas

PARIS AGREEMENT'S ARTICLE 6.8 – NMA

Article 6.8, the so-called “non-market approaches” (NMAs).

May include social inclusivity, financial policies and measures, circular economy, blue carbon, just transition of the workforce, and adaptation benefit mechanism

Key Features

- ✓ **Multi-party:** Should involve more than one party
- ✓ **Own rules:** NMAs are not “transactions” and would not be “regulated” under the rules of 6.2 or the 6.4 mechanism.
- ✓ **Policy induced emission reductions:** NMAs could include regulatory actions to cut methane emissions, energy-efficient policies and *standards to reduce electricity waste*, steps to phase out coal, and efforts to reduce fossil fuel subsidies
- ✓ Linked to host country and may benefit NDCs

Limitations

- ✗ Detailed rules are not known yet.

PARIS AGREEMENT'S ARTICLE 6 – COPA SUMMARY

Opportunities

- ✓ 6.4 reductions will have more oversight and proof of additionality than 6.2, however 6.4 measures will need the approval of the supervision board.
- ✓ Art. 6.8 may offer “low hanging fruit” for verified emission reductions (avoidance) through policy measures e.g., regulations or energy efficiency and RE expansion
- ✓ **Article 6 are bilateral or international trade (approved) between countries**, mainly for achievement of NDCs.

Limitations (currently)

- ✓ The administrative steps to make Article 6.2 and 6.4 work are complex and will take time to fully implement
- ✓ Carbon markets may become increasingly volatile and speculative, and there are risks that markets overestimate the carbon offset potential of investments.
- ✓ Potential risks for developing countries that sell their least-cost carbon mitigation or removal options, only to face more expensive domestic NDC actions.



THANK YOU FOR YOUR PARTICIPATION