



# Article 6 (Cooperative Implementation) at SBSTA 52

## Briefing paper for Heads of Delegations

*Supported by the West African Alliance on Carbon Markets and Climate Finance*

# BRIEFING PAPER

## PURPOSE

This briefing paper serves to inform and prepare heads of delegations and UNFCCC focal points on key issues in Article 6 negotiations at SBSTA52, taking place from 31 May to 17 June 2021 in a virtual format.

Background: Article 6 of the Paris Agreement enables Parties to voluntarily cooperate to implement and raise ambition in their nationally determined contributions (NDCs).

- **1.Article 6.2** describes cooperative approaches Parties may engage in, that involve internationally transferred mitigation outcomes (ITMOs)<sup>1</sup> Parties to the PA are currently negotiating an Article 6.2 guidance that Parties must follow when implementing cooperative approaches.
- **2.Article 6.4** establishes a centralised crediting mechanism (A6.4M) under the authority of the CMA <sup>2</sup>. Parties to the PA are currently negotiating the rules, modalities, and procedures for this mechanism.
- **3.Article 6.8** recognises the importance of non-market approaches (NMAs) in international cooperation. Article 6.9 establishes a framework to promote these approaches. Parties are negotiating the governance and functions of this framework and a work programme to promote NMAs

After two failed attempts at COP24 and COP25, Parties are preparing a decision to be taken at COP26 in Glasgow in November 2021. The COP25 and COP26 Presidencies, together with the UNFCCC Secretariat and the Subsidiary Bodies (SB), are engaging at the ministerial, head of delegation (HoD) and technical levels and conduct monthly multilateral meetings. In March 2021, the Presidencies undertook multilateral consultations on Article 6 with group chairs and HoDs, where key issues were defined for further technical talks and how to make progress ahead of COP26.

1. These ITMOs can be carbon credits or allowances in an emissions trading system (ETS). ITMOs can be used towards achievement of NDC targets or Parties can allow them to be used in other regimes (e.g., CORSIA).

2. Activities under this mechanism can receive UNFCCC-issued carbon credits if they are approved by the host country and complete the activity cycle. These credits can be transferred internationally as well.

During these meetings, the AGN reiterated the need to address the following issues that are of great importance to our group:

- 1.the contribution of all Art.6 approaches to adaptation finance (share of proceeds).
- 2.the environmental integrity of Art.6.2 and 6.4, in particular the avoidance of double counting by applying the corresponding adjustment considering the diverse nature of NDCs.
- 3.the transition from the CDM to the Art.6.4 mechanism.
- 4.the operationalisation of the OMGE.

Because the rules of Article 6 are still being negotiated even after many Parties submitted their updated NDCs, AGN is of the opinion that the participation requirement should not exclude a Party due to the nature of its NDC, at least for a certain period (e.g., the first NDC implementation period, which in most cases ends in 2030).

### **Status and mode of work of Article 6 negotiations**

Under SBSTA, some informal Article 6 talks took place at the UNFCCC June Momentum and the Climate Dialogues in November 2020. In 2021, the SBSTA chair is convening informal technical expert dialogues on specific “crunch issues”. For each dialogue, the SBSTA chair invites submissions by Parties and non-Parties. Based on the discussions, the SBSTA chair shares summary notes of possible options for further consideration<sup>3</sup>. These summary notes are not a negotiation text.

Between 31 May to 17 June 2021, the 52nd meeting of the SBs of the UNFCCC will take place with a series of informal virtual events, which includes consultations on Article 6<sup>4</sup>. Conclusions will only be adopted at the next in-person meeting of the SBs (likely during COP26). Informal consultations will take place in two consecutive slots of 90 minutes every day. The SBI and SBSTA chair will undertake further consultations and bilateral consultations with groups to promote progress. Under agenda item 15a-c of the draft provisional agenda technical Article 6 dialogues will take place. Informal submissions by Parties and groups for each topic are encouraged and an informal summary will be produced before the closing plenary on 17 June. As per the current overview schedule (stocktaking meeting with HoD on Article 6 will take place on Monday 14 June at 04:30 GMT/05:30 WAT. This meeting will focus on how to ensure progress by COP26. In addition, Japan and Singapore will be leading the ministerial talks related to Article 6 in the coming months.

### **AGN objectives and approach for the June SB session**

AGN strongly emphasises that all three versions for each of the three COP25 presidency texts on Article 6 should be the basis for further discussions. Any written outcome, albeit informal, should reflect all the views expressed during the discussions and highlight the issues where agreement is needed to operationalise Article 6, with clear options for finalizing Article 6 negotiations at COP26 and clarity on elements for a comprehensive follow-up work programme.

AGN must be very careful about the outcome of these discussions that will be captured in informal notes. These documents could be the basis for decisions to be taken in Glasgow. Time for negotiations in between the sessions and at COP26 in Glasgow will be limited and if the SBSTA Chair’s informal notes are presented in form of decisions at the beginning of this session, it will be very difficult to make substantial changes.

<sup>3</sup>.As of 21 May 2021, four such dialogues have taken place. All relevant documentation can be accessed [on the UNFCCC website for cooperative implementation](#).

<sup>4</sup>.The UNFCCC Secretariat provides support and cover related costs for delegates that are usually eligible to receive support. [See the Note by the Chairs of the subsidiary bodies on the modalities for session organization in the first sessional period \(31 May–17 June 2021\)](#), version 7 May 2021.

## Key issues

At COP25, the draft decision texts were already well advanced, and Parties had reached compromise on most technical issues. However, agreement was impossible due to political issues, mostly:

**1. The (mandatory or voluntary) provision of finance for adaptation** (share of proceeds) through Article 6.2, is a key priority for the AGN and the G77. Here, the Umbrella Group is strongly against any form of “taxation” of their bilateral activities and wants to limit adaptation finance to the Article 6.4 mechanism. Key crunch issues are whether adaptation finance under 6.2 is mandatory or voluntary<sup>5</sup>, how to ensure comparability of provisions for 6.2 and 6.4 (including through transparency), and who should receive the adaptation finance. AGN wants a mandatory provision at the same level (rate) as the Article 6.4 mechanism directed to the Adaptation Fund. A red line would be a weak voluntary provision without transparency or follow-up on how Parties are actually providing adaptation finance when engaging in cooperative approaches. For further reference an AGN submission on SOP/adaptation finance for 6.2 and 6.4<sup>6</sup> has been made.

**2. The accounting rules for the Article 6.4 mechanism**, where Brazil, the Arab Group and the LMDC demand exemptions for activities deemed additional to the NDC, or “outside” of the NDC. AGN is in favour of robust accounting but supports a transition period for activities that are in sectors not included in NDCs until 2030. Other countries and groups, e.g., AILAC, AOSIS, LDC group, EU, EIG, Umbrella Group oppose any form of exemptions, but some are open to a transition period for excluded sectors, as is AGN. A decision that does not clearly define what is “outside” an NDC but establishes exemptions for this is unacceptable to AGN.

Furthermore, AGN is of the view that any mitigation outcomes (A64ERs) that are not exported but used in domestic carbon pricing schemes (such as a carbon tax or ETS) or in results-based climate finance schemes where the credits are voluntarily cancelled, are not subject to corresponding adjustments. This follows the logic of the Article 6.2 guidance, according to which A64ERs are only classified as ITMOs if they are internationally transferred.

**3. The use of pre-2020 CERs for NDCs**, which is demanded by Brazil, China and India but opposed by many countries, including the AGN due to concerns of environmental integrity and an oversupply of the carbon market at the advantage of the emerging economies and disadvantage of poorer countries.

Less politically contentious, but also challenging is the negotiation of the rules for the transition of CDM activities towards the Article 6.4 mechanism. For African countries, it is of high importance that this transition process is done efficiently and rapidly, without imposing undue burden on host countries and programme developers, to sustain action on the ground. Parties have largely agreed that activities will be able to transition based on host country approval and meeting the guidance on corresponding adjustments. During a transition period, set in the Madrid texts until 2023, activities may continue using CDM methodologies. For the AGN it is important that CDM activities do not fall into a gap and hence the transition period is key. As 2 years have passed since COP 25, it should be extended to 2025 or ideally until the Art 6.4 mechanism is fully operational. Also critical for a smooth transition of activities is the collaboration between CMP and CMA. In Glasgow, CMP should endorse the “interim rules” adopted by the CDM Executive Board that are currently allowing CDM activities to continue after 2020 on a provisional basis until CMP decides on the issue.

5. The COP25 Presidency had proposed a compromise wording that “strongly encourages participating Parties under Article 6.2 to commit to adaptation finance”, which was not successful in Madrid.

6. <https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202104141458---AGN%20submission%20on%20financing%20for%20Adaptation%20from%20Article%206%20of%20the%20PA.pdf>

Further topics discussed in the June session will be enabling ambition in Article 6 instruments, implementing overall mitigation in global emissions in the Article 6.4 mechanism, reporting and accounting for GHGs and non-GHG under Article 6.2, implementation of Article 6.8 as well as further matters identified by Parties. Article 6 negotiations will be closely interrelated with other agenda items, in particular reporting formats under the enhanced transparency framework and common time frames for NDCs, CDM transition under SBI, and response measures.



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