

The Paris Agreement Article 6: What is at stake in Glasgow?

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What is Article 6?

- Section of Paris Agreement formally recognizing that countries may voluntarily cooperate in the implementation of their NDCs **to allow for higher ambition**

Article 6.2: Recognizes voluntary cooperation through “internationally transferred mitigation outcomes” (ITMOs)	Market-based mechanisms
Article 6.4: Establishes a UN-administered mechanism for the creation and transfer of emission reduction credits among countries	
Article 6.8: Recognizes opportunities for non-market approaches (e.g., “results-based climate finance”)	Non-market approaches

Why does Article 6 matter?

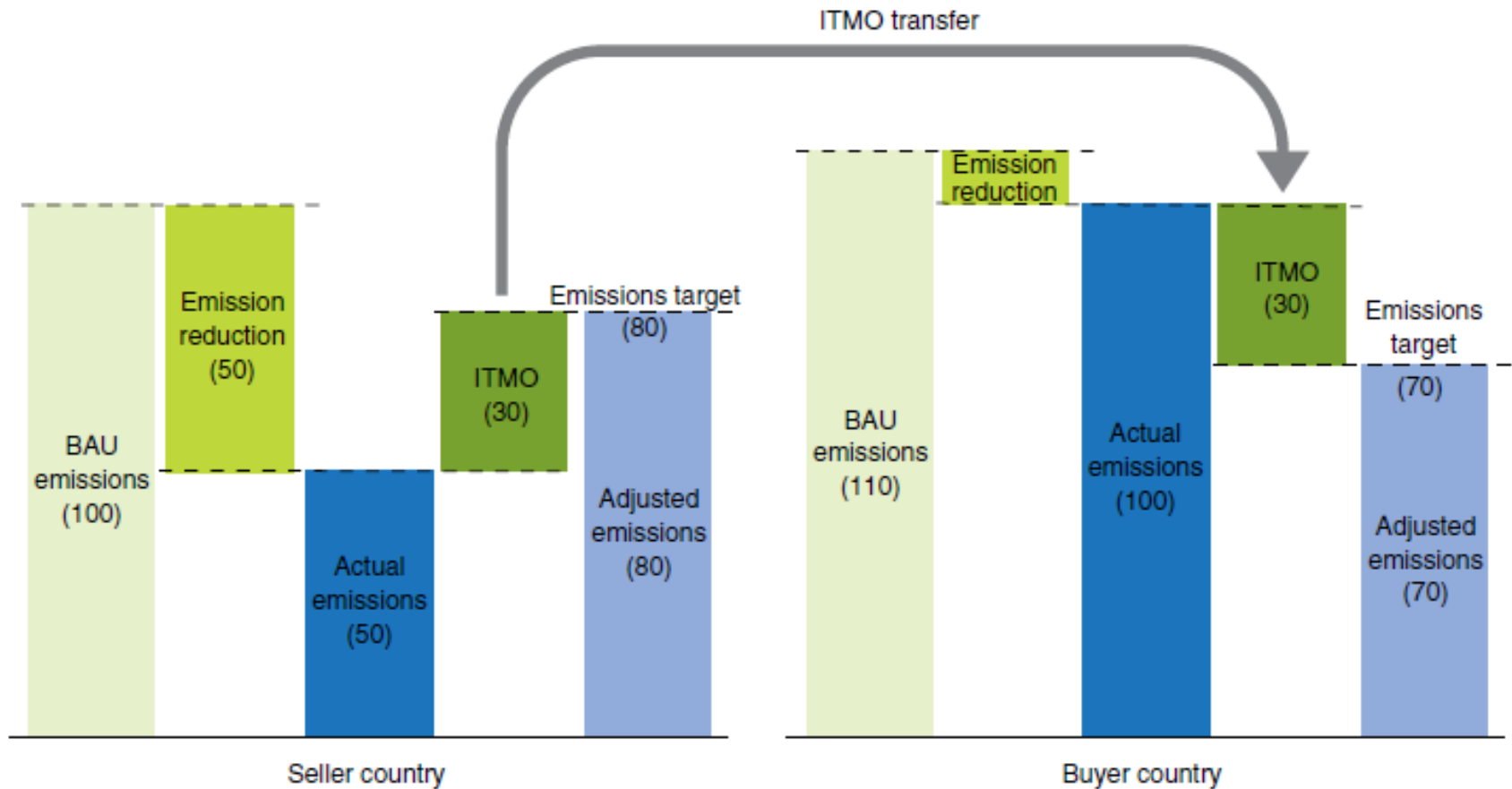
- **Foundation for cooperation**
 - Facilitates a *global* response to climate change
- **Gains from trade**
 - International trading could save \$230 billion per year in 2030 under current NDCs (IETA 2019)
 - If savings were leveraged to ***raise ambition***, could lead to 50% more emission reductions in 2030
- **Achieving net zero**
 - Markets could offer an efficient way to globally balance emissions with removals
- **Business opportunities**
 - Could mobilize private sector investment in clean technology around the world

What are the issues?

- **The Big Two**
 - Double counting of emission reductions
 - What to do about Kyoto-era emission reduction credits
- **Also on the agenda**
 - Adaptation financing*
 - Article 6.4 crediting rules & standards
 - Delivering an “overall mitigation in global emissions” (OMGE!)

* Some would include this as one of the “big three”

Double counting



Source: Schneider et al. (2016).

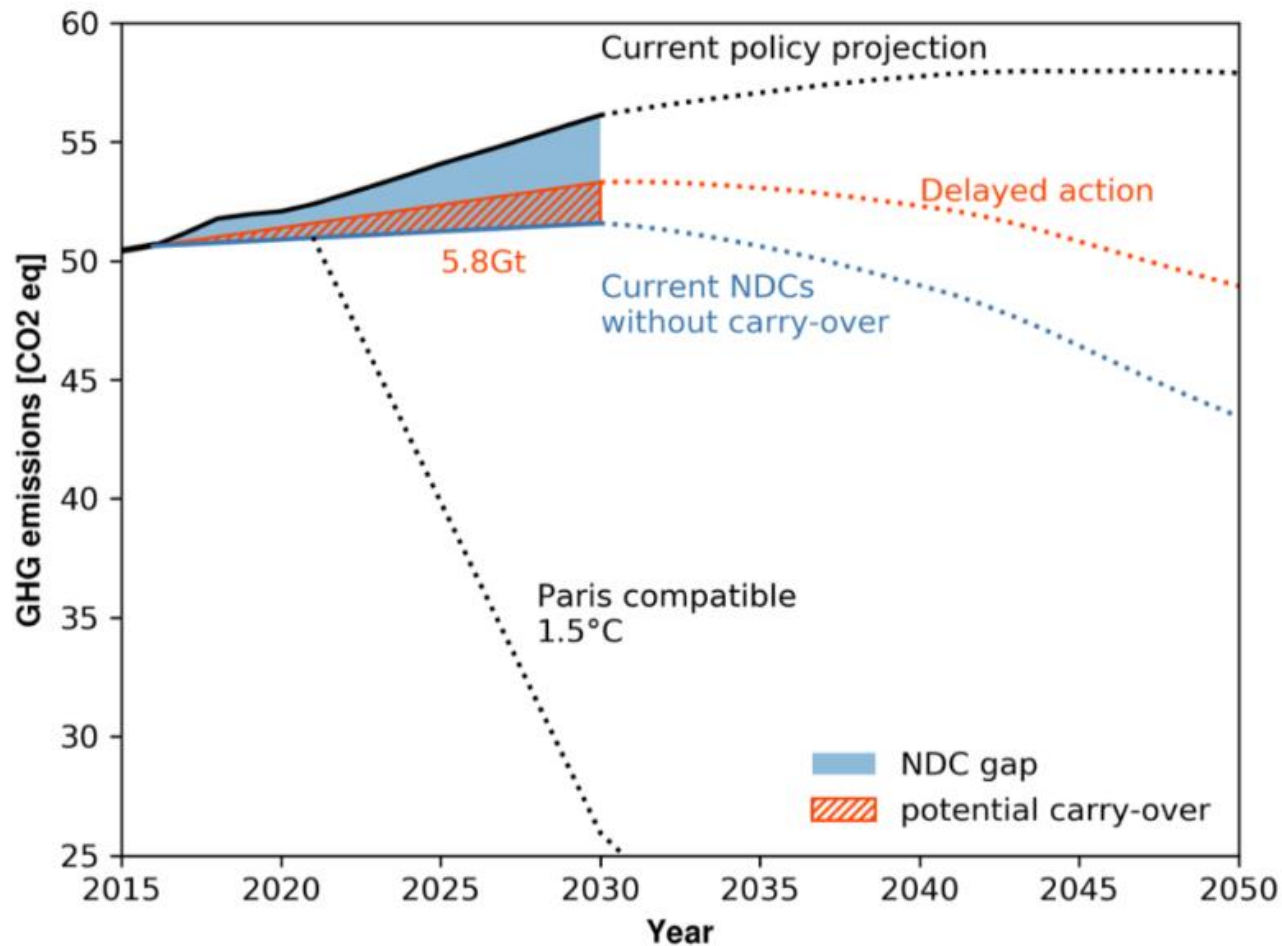
Double counting challenges

Issue	Likely Resolution
NDCs come in all shapes and sizes: Single-year targets, renewable energy targets, promised actions, etc.	Mostly technical fixes on how to do the accounting
Mitigation may occur outside the scope of a country's NDC: It's not technically double counting	<u>Policy decision</u> to require "corresponding adjustments" in all cases

Double counting “landing zone”

- Negotiations are focused on Article 6.4
- Possible outcome:
 - “Flexibility” allowing double counting for Article 6.4 transfers for a limited period of time
 - Possible other constraints or limitations to address “perverse incentive” issues related to raising ambition & expanding the scope of NDCs

Carryover of Kyoto-era units



Carryover of Kyoto-era credits

- **Really several issues**
 - Transitioning *credits*
 - Transitioning *projects* (so they can continue to receive credits)
 - Transitioning methodologies and standards
- **The first two are the real sticking points...**

Carryover “landing zone”

- Some carryover allowed, but with limits. For example:
 - Only credits issues after a certain date
 - Only projects that *require* credit revenue to continue operating are allowed to transition
- Possible: Put pre-2020 units into a reserve and release them only when needed

Other issues

- **Adaptation finance and OMGE**
 - Currently these apply just to Article 6.4 – should they apply to Article 6.2, too?
- **Article 6.4 rules & standards**
 - Mostly a set of technical issues

Looking forward

- The Article 6 rulebook would lay a foundation for international cooperation
- The big question is how and whether countries will use Article 6 to effectively raise global ambition
- Will require ongoing efforts to build trust, institutional capacity – including at bilateral and regional levels (“carbon clubs”)