A review: COP 26 & Article 6

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COP 26 - Outcomes

• Completion of the Paris Agreement work programme
  • Common time frames for nationally determined contributions.
  • Methodological issues relating to the enhanced transparency framework for action and support.
  • Modalities and procedures for the operation and use of a public registry for NDCs and for Adaptation Communications.
  • Article 6
    • Cooperative approaches referred to in Article 6.2
    • Rules, modalities and procedures for the mechanism established by Article 6.4
    • Work programme under the framework for non-market approaches (Article 6.8).

• Global goal on adaptation
  • Launch of a comprehensive two-year Glasgow–Sharm el-Sheikh work programme on the global goal on adaptation work.

• Loss & damage
  • Operationalization of the Santiago network for averting, minimizing and addressing loss and damage
  • Establishes the Glasgow Dialogue between Parties, relevant organizations and stakeholders to discuss the arrangements for the funding of activities to avert, minimize and address loss and damage

• New global goal on finance
  • Process to define new global goal on finance has been launched
  • Launch of an Ad hoc work programme to define the new global goal on finance to engage constructively in the actions contained therein.
Article 6 – years in the making!!

• Overall reaction:
  • The “progressive” view largely prevailed where it mattered
    • Corresponding Adjustments
    • SOP
    • OMGE
    • Baseline & additionality
    • Transfer of pre-2020 REDD+ units

• Questionable
  • On the treatment of voluntary matters

• Does it matter?
  • Metrics
  • CER transfer

• Not there: 1 (h) (REDD+) – is REDD really included or is it avoidance?
Article 6.2 - definition

- Very convoluted, a menu
- Needs to be read in conjunction with the CA section
- Attempt to impose a UN standard failed through REDD+ (Warsaw Framework for REDD in 1 (h)) but unclear if REDD+ is in 1 (c) – “consistent with the NDCs of the participating Parties” not understood and may create significant restriction on any non-CO2 markets (if they ever get off the ground)
- 1(f) is convoluted
  - ITMOs are international transfers that are **authorized**
    - NDC
    - International mitigation outcome
    - Other purposes
Article 6.2 - definition

• No definition is offered, on purpose, for
  • International mitigation purposes (other than NDC) (ICAO/IMO?) and
  • Other purposes as defined by the first transferring Party (domestic use, Gold Standard?)

• Use is limited to the same NDC period (no banking). For a market that is a very limiting condition and will not incentivize action and create instability at the end of the NDC period.

• Nothing changed
  • Parties can sell in the VM without CA
  • If the VM asks for a CA they can do it (Gold Standard)
  • VM is NOT under any new rules

• 2(b) definition of a first transfer for other uses
Article 6.2 – corresponding adjustments

- Corresponding adjustments are treated differently, but the same, between CO₂ and non-CO₂
- Non CO₂ metrics seems to be wrong in the way the addition and subtraction is worded
- CA are done for ALL transfers of ITMOs (those that have an authorization)
  - For NDC
  - International use (ICAO, CORSIA)
  - Gold Standard
- There is no CA for transfers that do not require them and therefore will not ask for a authorization
Article 6.2 – application of CA

- Questionable logic as it requires to undertake a CA even if it comes from non-NDC sectors
- The option on new approaches for year end NDC does not appear anymore
- Para 9 on CA for non CO₂ seems to be upside down
- No guidance on metric conversion in the decision of annex
Article 6.2 – Safeguards and limits & other

• Start work in 2028 to complete in 2030
• That should create uncertainty for markets?
• Consideration of emission avoidance (for 2022)
• Very long and complex reporting list – what will be the capacity needed to implement such a list
• No reference to human rights
Article 6.4

• A6.4ER are not only in CO₂ but can be in other metrics
• Some bottom-up elements in terms
  • Methodology
  • Crediting periods
• May include policies
• ”shall be designed to achieve emission reductions in host Party” – what about regional projects – West Africa, Bhutan/India?
• Appeals process – “independent grievance process” to be defined
• All transfers shall have a CA – BIG departure from initial position on large Parties
Article 6.4 – CDM transition

Transfer of activities:
• Request for transfer no later than Dec 2023
• Current CDM meth can be applied until Dec 2025 or end of crediting period (earlier off)

CER Transfer:
• CDM registration after 2013
• Identified as pre-2021 in A6.4 registry
• Use towards first NDC only
• Not required to do a CA
• Temporary CERs and long-term CERs not for use towards NDC
• Other CERs may be considered in the future
CMP guidance to the CDM EB

• CDM EB to collaborate with the Supervisory Board
• Make available infrastructure to Art 6.4
• Deregister CDM projects transitioned to A6.4M
• Transfer money from CDM Trust Fund for the implementation of Art 6.4
• CDM EB will continue to receive and process submission under the temporary measures
Additional slide used in the discussion
Corresponding Adjustment:
Uses and claims for Emission Reduction Credits

- Emission Reductions generated through Art 6.2, Art 6.4 or eligible (independent) standards
- Authorized by host country for Article 6 and other specified uses
- No host country Authorization

Transfer for NDC compliance

“International Mitigation Purposes” (e.g. CORSIA)

Voluntary Market

For “Other Purposes”
(offset or carbon neutral or other claims to be defined by the “buyer” based on guidance of initiatives such as VCMI, TSVCM, etc.)

For contribution claims

Contribution to host NDC or finance contribution

Host country carbon market

International Transfer with Corresponding Adjustment

In the host country NDC (no Corresponding Adjustment)