United Nations
Framework Convention on
Climate Change

Regional non-State actor dialogue on Article 6 of the Paris Agreement

Synthesis report

Organized by:

Regional Collaboration Centres (RCCs)

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Background

The Paris Agreement recognizes the role of non-State actors in the implementation of climate actions.[1] Article 6 of the Paris Agreement lays the foundation for instruments to implement domestic and/or collaborative climate action. In the context of Article 6 instruments, the role of non-State actors, in particular in the mobilization of funding, will be crucial.

With the view of kick-starting an active dialogue among regional non-State experts on options for interpreting and operationalizing elements of Article 6, the UNFCCC regional collaboration centres (RCCs) organized a series of discussions focusing on non-Party/State actors in developing countries.

These dialogues form the second stage of a project funded by the German and the Norwegian governments, which started in 2015, that aims to support developing countries in the use of economic instruments to achieve their nationally determined contributions (NDCs). Experts invited to the dialogues represented regional bodies/organizations, consultants, think tanks, academics and researchers, and project developers, who are users of market and cooperative instruments.

The "Regional non-State actor dialogue on Article 6 of the Paris Agreement", as it was titled, took place in five locations: in Bangkok, Thailand on 09 June 2016; in St. George, Grenada on 12 July 2016; in Bogotá, Colombia on 14 July 2016; in Entebbe, Uganda on 18 July 2016; and in Lomé, Togo on 22 July 2016. In total, 82 regional experts participated in the events.

Report from the dialogue

Regional circumstances and trends

The regions in which the dialogues were conducted show different circumstances and trends with regard to the use of instruments for climate action. A broad diversity of country-driven approaches (schemes for emission trading and emission reduction mechanisms, carbon taxes, etc.) is emerging in the Asia-Pacific region and in Latin America, with some countries considering linkages. The Caribbean region showed interest in the use of instruments, but the limited scale of activities which can be implemented in the region would require simpler instruments and/or collaborative approaches at the regional level. The consultations in Africa highlighted that the introduction of programmes of activities (PoAs) under the clean development mechanism (CDM) increased participation in current instruments. Nevertheless, African participants highlighted the need for simpler instruments, more capacity building, better access to financing, and a stronger and more stable demand for mitigation outcomes.

[1] Preamble of decision 1/CP.21 "Adoption of the Paris Agreement": Agreeing to uphold and promote regional and international cooperation in order to mobilize stronger and more ambitious climate action by all Parties and non-Party stakeholders, including civil society, the private sector, financial institutions, cities and other subnational authorities, local communities and indigenous peoples.

In-depth discussion of Article 6

Outcome from the in-depth discussion

Through the consultations, the participants expressed converging views about all three instruments covered by Article 6:

- A great number of participants suggested that the instruments could serve to achieve NDCs and/or ambition. While some participants interpreted ambition as going beyond the NDCs, others viewed the achievement of the NDCs as ambition;
- Some participants viewed transfers as only appropriate for action going beyond the NDCs, while others also considered transfers appropriate for the conditional part of NDCs;
- The prevailing view was that transferred outcomes should be quantifiable in similar units, such as tonnes of CO_2-equivalent. Nevertheless some participants proposed the transfer of other types of outcomes related to clean energy, adaptation outcomes, finance, or even technology transfer and capacity building;
- Most participants viewed quantified NDCs as a prerequisite for transfers but highlighted difficulties, as NDCs may not be comparable, differ in type, and may not yet be well defined;
- Consistency between the instruments should be ensured, including (if applicable) for the determination of additionality and the consideration of policies and/or NDCs in the baseline;
- Participants highlighted the need to strengthen the consideration of sustainable development benefits, especially in relation to poverty alleviation and adaptation co-benefits. Options proposed include: (i) establishing a link with the Sustainable Development Goals; (ii) leaving the sovereign consideration of sustainable development benefits to host countries; or (iii) using a set of minimum requirements or a tool, possibly with a certification of these benefits by an assessor;
- The general view was that instruments should enable transparency and ensure a robust monitoring, reporting and verification (MRV) of results while being simple and user-friendly.

Topic: Article 6.2 – Internationally transferred mitigation outcomes

For some participants, Article 6.2 covers transfers but not generation of units. Others see the Article as also accommodating the generation of units, especially under country-based approaches or bilateral mechanisms. However, participants agreed that provisions could enable the linking of approaches (e.g. sectoral mechanisms, emission trading schemes, and national/regional markets and instruments). Those considering the generation of units under Article 6.2 raised questions as to how baselines would be set in relation to NDCs and noted that baselines set at the country level may require approval. Most participants agreed on the need to ensure environmental integrity and avoid “hot air”. In this context, it was proposed that transferable outcomes should be based on a real mitigation effort and traceable to a specific activity or action.

Participants generally agreed that governance is needed to ensure quality and trust. A broad range of views was expressed on the level of governance by an international body. A number of participants supported a model of central oversight regarding approaches to be used as well as the outcomes transferred. At the other end of the spectrum, a number of participants envisioned limiting international oversight to the establishment of guidelines and the tracking of transfers. Some participants proposed establishing a second track under which approaches and MRV could be decided at the country level.

Participants expressed the need to ensure that transfers do not occur when the achievement of the host country target is uncertain. Solutions proposed include establishing eligibility criteria for participating in transfers and/or a sharing of outcomes between buyers and the host country. Finally, private sector participants expressed the need to authorize their participation in transfers and noted with concerns the risk of voluntary action for more ambition being counted in parties' contribution without stakeholders' consent.

Topic: Article 6.4 – Mechanism

Participants generally saw great similarities between the mechanism foreseen under Article 6.4 and the CDM or even joint implementation, and noted that many good elements of these could be retained: procedures, standards (especially methodologies, standardized baselines, the concept of automatic additionality and positive lists, and PoAs), the MRV, third-party verification, and the transparency of the CDM.

However, participants wished for the mechanism to be more open, less restrictive and simpler (especially for least developed countries (LDCs) and small island developing States (SIDS)), with lower transaction costs and shorter timelines. They also suggested that it be based on a digitalized system in which the complexity is on the side of the regulator. Participants expressed the need for a simpler additionality demonstration, using positive list or sector-wide additionality, or by deeming measures beyond the NDCs as additional. Similarly, simpler baseline setting at the national, regional or sectoral level was proposed. For both baseline and additionality, participants expressed the need to take into account the NDCs and national laws.

Participants suggested that the mechanism could be much broader in scope than the CDM, and accommodate sectoral schemes, bilateral mechanisms, adaptation activities, Nationally Appropriate Mitigation Action type of activities, REDD+, policies and programmes.

All participants agreed on the need for international governance to set principles, guidance or even rules and ensure the tracking of outcomes. However, they disagreed on whether more the operational parts of governance should be decentralized. Some participants suggested a two-track system to allow the coexistence of a centralized and a more decentralized governance. Most participants urged that the governing body be less political and more technical, and better represent the various constituencies such as LDC and SIDS, the private sector and civil society.

Topic: Article 6.8 – The framework for non-market approaches

Participants struggled to define non-market approaches. The general agreement was that an MRV system should be used but the corresponding outcomes would neither be transferred, nor traded, and instead remain with the host country, or be cancelled. Instead, acknowledgement could be given to the source of support. Participants also wondered how private sector participation could be incentivized under non-market based approaches.

Participants envisioned that the framework could accommodate a very diverse range of activities such as: climate finance (including activities of the Green Climate Fund (GCF) or similar to GCF activities); the use of green bonds and green hedge funds; technology transfer; training and capacity building; the implementation of policies, regulations and standards; REDD+ activities; adaptation activities and policies; the abatement of industrial gases; and systems of incentives such as feed-in tariffs, carbon taxes, grants, soft loans and tax rebates. Participants also saw this framework as possibly accommodating projects that are difficult and/or economically not attractive to quantify, such as dispersed energy efficiency efforts. Participants suggested that some activities could be specifically addressed through a dedicated window or facility under the framework.

Participants diverged on whether and how additionality assessment would be needed under the framework and did not express views on governance of the framework.

The road ahead – key messages from private sector participants/experts to policy-makers for the future global carbon market and non-market instruments

The need for practical instruments to enable non-State actors to participate: Non-State actors highlighted the risk of designing purely theoretical instruments with limited usefulness. As a practical exercise, it was proposed that the broad range of existing current instruments and measures for climate action be mapped against elements of Article 6. They further highlighted the need to ensure private sector participation through clear incentives and simple instruments to deploy action on the ground quickly and efficiently.

The need for transitioning: Participants, especially from Africa, highlighted the need for a seamless transition between the Kyoto Protocol instruments and those under Article 6 to set signals for early action under the Paris Agreement and to restore demand and investor confidence. Solutions proposed include recognizing certified emission reductions as instruments of compliance under the Paris Agreement (with possible application of a discount factor) or transitioning exiting projects to Article 6, subject to eligibility criteria.

The need for synergies between Article 6 instruments and climate finance: Participants wished for climate finance institutions to support activities under Article 6 instruments for NDC implementation, especially to ensure early action and a more balanced geographic participation in mitigation and adaptation activities.

The need for further engagement: Participants expressed appreciation for the consultations, but noted how the large constituency of non-State actors is not sufficiently represented and engaged in international discussions. They called for their views and concerns to be taken into account by Parties and called for a continued engagement process with further consultations and regular updates on progress achieved in the negotiation process.