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.
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.**
What does all this have to do with the Article 6 of the Paris Agreement?
PARIS AGREEMENT ARTICLE 6 – IN SHORT

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

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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