VIEWS OF BRAZIL ON THE GUIDANCE REFERRED TO IN ARTICLE 6, PARAGRAPH 2, OF THE PARIS AGREEMENT

The Government of Brazil welcomes the opportunity to submit views regarding the guidance referred to in Article 6, paragraph 2, of the Paris Agreement (FCCC/SBSTA/2016/L.11), in response to SBSTA invitation at its 44th Session.

2. Brazil is of the view that Article 6 must always be read in conjunction with the aims of the Paris Agreement, as set out in its Article 2. Article 6 as a whole must necessarily contribute to strengthening the global response to climate change, in the context of sustainable development and efforts to eradicate poverty, including with respect to the temperature goal, adaptation and the increase of financial flows to developing countries.

3. Brazil understands the promotion of sustainable development and environmental integrity, including with respect to transparency and governance, as the core elements of Article 6.2. The use of internationally transferred mitigation outcomes must contribute to the aims of the Paris Agreement by providing stimulus to Parties to enhance ambition. But that purpose would be forfeited if environmental integrity and transparency are not guaranteed, including in relation to governance.

4. Brazil strongly believes that environmental integrity for emission trading can only be ensured by rules and governance structures that are multilaterally-agreedand therefore accountable to all Parties to the Paris Agreement.

5. Guidance under Article 6.2 should provide for an accounting framework for transfers of mitigation outcomes. While Article 6.2 is intended to ensure robust accounting, it does not directly involve mitigation activities on the ground, as is the case of the mechanism under Article 6.4 – the "Sustainable Development Mechanism" (SDM). In that sense, the scope of Article 6.2 is analogous to emissions trading under Article 17 of the Kyoto Protocol, with some necessary modifications to ensure the highest possible ambition towards the temperature goal.

6. Guidance under Article 6.2 must provide the framework for eligible units surpluses to be transferred *multilaterally* – i.e., for purposes under the Paris Agreement. From Brazil's perspective, the purpose of Article 6.2 is not to cover domestic, subnational or regional emissions trading schemes. These entities are not Parties to the Paris Agreement. These schemes should only be relevant to the regime to the extent that they are part of countries' domestic policies, to be reported in their National Communications. For the purpose of Article 6.2 what is relevant to the Paris Agreement is the allowance that is internationally recognized and represent the NDC communicated and the SDM certified emission reduction units that are supervised internationally. Demonstrating achievement of contribution of the Parties in a given timeframe emission level shall be represented by equivalent amount of allowances and SDM units held in the national registry of those Parties.

7. In this sense, Brazil believes that Parties wishing to engage under Article 6.2 to demonstrate achievement of their respective NDCs should be required to establish and quantify a budget of emission allowances or an annual trajectory of emissions towards their NDC objectives, so that a mitigation surplus may be translated into mitigation outcomes that may be eligible for trading.

8. For the sake of consistency with the aims of the Paris Agreement, only surpluses that result in enhanced ambition should be contemplated under Article 6.2. With a view to ensuring the highest possible ambition - and drawing from past experiences under the UNFCCC, in particular those from the Doha Amendment to the Kyoto Protocol - the amount of units eligible for trading should be limited to the difference between current emissions and the average of the last three inventories, so that a mitigation surplus may be translated into mitigation outcomes that are eligible for trading. Regardless of the type of the NDC, this would ensure that eligible outcomes are restricted to those resulting from concrete climate change actions and policies.

9. The internationally transferrable mitigation outcomes referred to in Article 6.2 should be restricted to such eligible units, alongside SDM certified emission reductions under Article 6.4 and certified emission reductions (CERs) under the Clean Development Mechanism of the Kyoto Protocol (CDM) that are not cancelled or retired.

10. In accordance with paragraph 36 of Decision 1/CP.21, guidance on Article 6.2 should include provisions for ensuring that double counting is avoided on the basis of a corresponding adjustment by Parties for emissions and removals related to units transferred. This corresponding adjustment should occur on the same basis of Articles 3.10 and 3.11 of the Kyoto Protocol.

11. Concerns related to *double counting* under Article 6.2 should be further addressed, *inter alia*, through the establishment of an instrument analogous to the Kyoto Protocol's International Transaction Log (ITL), including procedures to ensure that transactions are authorized by both participating Parties, as per Article 6.3.

12. Finally, a share of proceeds for adaptation should apply to first transactions of both (i) units eligible for trading and (ii) SDM certified emission reductions under Article 6.4.