

SUBMISSION BY SAUDI ARABIA ON BEHALF OF THE ARAB GROUP ON ARTICLES 6.2 AND 6.4 OF THE PARIS AGREEMENT

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On behalf of the Arab Group, Saudi Arabia is pleased to express the following views on the guidance related to Article 6.2 of the Paris Agreement and the rules, modalities and procedures related to Article 6.4 of the Paris Agreement.

Context

Article 6 is framed by the recognition that Parties may voluntarily choose to cooperate in the implementation of their nationally determined contributions (NDCs). In essence, this realizes that some Parties may be inherently drawn together by mutual benefit opportunities. These opportunities essentially stem from the diversity of national prerogatives and the respective interests driving them. Accordingly, the manner in which these cooperative opportunities are fostered must preserve these prerogatives and offer flexibilities that reflect their diversity.

Principles and Overarching Issues

- Embracing diversity through an inclusive approach that accommodates all NDCs, leading to an increase in cooperation prospects.
- Maintaining national prerogatives through a bottom-up approach which is in line with the Paris Agreement.
- Prioritizing NDC implementation while limiting other, extraneous influences, activities and behavior.
- Recognizing the importance of integrated, holistic and balanced non-market approaches.
- Assisting in the implementation of NDCs in context of sustainable development and poverty eradication.
- Sustainable development is a central theme of Article 6 reiterated throughout its paragraphs. However, no distinct formulation can capture its diversity across Parties. Therefore, it is necessary to ensure the preservation of national prerogatives as they relate to sustainable development, as it needs to be defined at the national level.
- While Article 6 activities may contribute to NDC implementation, domestic efforts are the primary means to achieve NDCs.

- Inclusive participation by all Parties to Paris Agreement and all types of NDCs without discrimination on the basis of activities.
- The need to address the negative social and economic impacts arising from the operationalization of Article 6.
- Share of proceeds: Shall apply to both Articles 6.2 and 6.4 and fund adaptation and sustainable development for developing country Parties of the Paris Agreement. These shares of proceeds shall be allocated to the Adaptation Fund.

Eligibility

- Being a Party of the Paris Agreement.
- Undertaking an NDC (regardless of type).

Provisions

Among the provisions under Article 6, NDCs and sustainable development are unique. They embody the primary goals of Article 6, while other provisions, such as transparency and accounting, are more in the order of facilitative considerations. As such, these facilitative provisions should be subject to primary ones (NDCs and sustainable development).

Specifically, the Article's facilitative provisions should not:

- Exclude any NDC bearing Parties wishing to engage in the cooperative approaches described under Article 6.
- Impose any conditions that would prejudice or undermine national prerogatives associated with NDCs or sustainable development priorities.

Nonetheless, these facilitative provisions will be crucial in the operationalization of Article 6 once the scope of their application is understood.

Regarding Article 6.4, the modalities and procedures of the CDM offer a solid starting point for building out the elements of the subject mechanism. These, as well as CDM reforms introduced through the CMP decisions and the work of the CDM Executive Board, should be reviewed and taken where appropriate while making necessary adjustments to fit the architectural structure of the Paris Agreement.

Scope

Article 6, particularly 6.2, essentially deals with the transfer of mitigation outcomes. It should be noted that the production of mitigation outcomes is not unique to Article 6. In fact, other Articles consider mitigation outcomes in the context of NDCs. Therefore, further consideration of these outcomes risks duplicating efforts under other Articles.

What is unique to Article 6 is the transfer of these outcomes. This aspect is not addressed elsewhere in the Paris Agreement thereby warranting special attention. Accordingly, matters relating to transfer should be the primary scope where facilitative provisions, such as environmental integrity, are considered.

This understanding of scope is crucial if the Article's facilitative provisions are to be fully realized without encroaching on the national prerogatives embodied by the Article's primary goals (NDCs and sustainable development).

Mitigation Outcomes

Mitigation outcomes, the subject of transfer activities, are a central element in Article 6. Nevertheless, the subject is not unique to Article 6 where it is addressed under other Articles and put in the context of NDCs. The fact that Article 6 primarily aims to implement NDCs implies that the same scope of mitigation activities should carry over to Article 6. Doing so would ensure a consistent approach that puts the full spectrum of cooperative opportunities at the disposal of Parties. Moreover, such a scope would be instrumental in realizing new, innovative cooperative opportunities, especially among developing countries. The following are examples of useful mitigation areas that should be incorporated under Article 6:

- Mitigation co-benefits resulting from adaptation actions, including economic diversification (Article 4.7). These mitigation outcomes would also allow for higher adaptation ambition (Article 6.1).
- Activities leading to emission avoidance.

Realizing the full spectrum of mitigation opportunities would also require the accommodation of various mitigation metrics, such as energy efficiency and renewable energy certificates. Ultimately, cooperating Parties can decide on the metrics in accordance with their respective NDCs and the mitigation opportunities they might share.

Sustainable Development

Sustainable development is a primary provision reiterated throughout Article 6. Yet, its nationally determined character defies efforts to define or standardize it. However, considering sustainable development in the context of the transfer of mitigation outcomes

(as mentioned above) would offer a uniquely relevant opportunity to actively and consistently promote this important provision under Article 6. Addressing sustainable development issues in this context (transfers) would offer an opportunity to ensure that any cooperation under Article 6 should not impede national development priorities but support them.

Ultimately, this aspect of sustainable development (relating to the transfer of mitigation outcomes rather than their production) can only be considered under Article 6. In this respect, Article 6.8 would be useful in developing sustainable development tools that would be applied consistently to the transfer activities under Article 6. These tools would:

- Appreciate the multi-dimensional quality of sustainable development (environmental, social and economic aspects) and relate it to activities under Article 6.
- Ensure that Article 6 allows for a manageable sustainable development transition for all Parties.
- Assess and address the negative socio-economic impacts on vulnerable Parties stemming from the activities under Article 6 and ensures a link to Article 4.15.

NDC Implementation

The overriding goal of Article 6 is to contribute to the implementation of NDCs. Therefore, there should be controls and safeguards in place to ensure that Article 6 stays focused on this objective and not be distracted by other interactions such as speculative inclinations.

Share of proceeds

The share of proceeds associated with the Article 6.4 mechanism is intended to support administrative expenses and adaptation costs for vulnerable Parties. These proceeds should also be applied to the internationally transferred mitigation outcomes (ITMOs) in Article 6.2 where it would be equally relevant and effective. Extending the share of proceeds provision to Article 6.2 would also ensure that activities under Article 6.4 would not be unduly disadvantaged.

The Adaptation Fund would be an ideal destination for these shares of proceeds since the Fund already focuses on supporting adaptation efforts in vulnerable developing countries, a primary aim of these proceeds.

These shares of proceeds could be applied in a stepwise, progressive manner at an increased rate with each transfer. This would:

- Provide further support to the adaptation needs of vulnerable Parties (as intended by Article 6.6).
- Reinforce NDC implementation (the primary goal of Article 6).
- Reduce volatilities and harmful spillovers associated with speculative activities.

Environmental Integrity

Environmental integrity is a key facilitative provision that could effectively serve the primary provisions or goals of the Article, namely NDC implementation and promoting sustainable development. Of course, this integrity, in accordance with the scope defined above, would be relevant to transfer activities under Article 6 (its unique feature) rather than the subject mitigation outcomes under the NDCs, which are purely the prerogative of Parties.

Acquisition Limits

Article 6 is likely to offer valuable opportunities for Parties to contribute to their NDCs through the transfers of mitigation outcomes. Nevertheless, it must be recalled that the Paris Agreement is grounded in domestic action where every Party is expected assume its fair share, hence the institution of NDCs. Article 6, in this sense, stands out among other Articles where it risks changing the nature of the Agreement if its application is unbound. Furthermore, excessive use of Article 6 may afford an undue advantage to those with the means to extricate themselves from their fair share of climate action. While these may be extreme scenarios, the Paris Agreement was intended as a global, durable agreement.

Accordingly, provisions are required to ensure that the acquisition of mitigation outcomes, whether under Article 6.2 or 6.4, is subject to quantity limits that maintain the domestic character of NDCs.

Elements for Article 6.4 and its Operationalization

- The modalities and procedures of the CDM offer a solid starting point for building the elements of Article 6.4. These, as well as CDM reforms introduced through CMP decisions and the work of the CDM Executive Board, should be reviewed and taken where appropriate while making necessary adjustments to fit the architectural structure of the Paris Agreement.
- So there is a need to build on the achievements of flexible mechanisms under the Kyoto Protocol, particularly the Clean Development Mechanism (CDM).

- One opportunity offered by the Article is raising adaptation ambition, especially by incorporating mitigation co-benefits of adaptation actions and economic diversification plans (4.7 of Paris agreement).
- The purpose of the mechanism is to foster voluntary collaboration in implementing the NDCs, enhancing ambition in mitigation and adaptation and promoting sustainable development. A key provision of the mechanism is to ensure that participation is authorized by relevant Parties.
- Scope: The mechanism should be applicable to all NDC types and all mitigation activities in all sectors without discrimination on the basis of activities.
- Transitional issues under 6.4 should cover: the transition of rules, methodologies, infrastructure, accreditation and transition of activities under the current CDM.