



SUBMISSION BY THE REPUBLIC OF INDONESIA

Views on Article 6 of the Paris Agreement

The forty-fifth session of the Subsidiary Body for Scientific and Technological Advice (SBSTA45) has invited Parties to submit their views on the guidance on cooperative approaches as referred to in Article 6, paragraph 2, of the Paris Agreement; on modalities and procedures as referred to in Article 6, paragraph 4, of the Paris Agreement; as well as on framework of non-market approaches as referred to in Article 6, paragraph 8, of the Paris Agreement. Indonesia would therefore like to share its views on related issues, as follows:

A. Article 6.2 of the Paris Agreement

As what have been mentioned in our previous submission prior to SBSTA45, Indonesia is of the view that that cooperative approaches under Article 6.2, namely the ITMOs, are transfer of emission reduction as mitigation outcomes between two Parties or among a number of Parties to be used in fulfilling their respective NDCs. Such initiatives are basically based on common understanding and common interests of those Parties involved. Such initiatives are also not part of the schemes that have previously been regulated under UNFCCC.

In this regard, Indonesia would like to make further elaboration, as follow:

- To allow Parties to be involved in such initiatives, the first and basic eligibility criteria is that all Parties involved must have submitted their Nationally Determined Contribution (NDC) for the relevant implementation period to the UNFCCC Secretariat, and the NDC have been made public in the NDC Registry.
- To ensure that the implementation of Article 6.2 will result in net global emission reduction as well as to ensure higher ambition of all Parties, each Party involved has to set a maximum cap of ITMOs usage in fulfilling its NDC.
- As ITMOs is also expected to benefit sustainable development, it may be useful to have a common guidance or a minimum set of criteria, which can be used differently depending on national circumstances of Parties involved, to ensure that

ITMOs equally benefit the environment, economic, and social aspects of development, which are the pillars of sustainable development.

- There is also a need to ensure that initiatives, activities or programmes which are aimed to result in mitigation outcomes will be conducted in a sustained manner.
- Even though initiatives under Article 6.2 will be dealt with and agreed among Parties involved, there is still a need to have governance at the global level, to manage the tagging and tracking of mitigation outcomes in order to avoid double counting (double issuing, double claiming and double used).
- At the relevant national level, corresponding adjustment in emission reduction has to be made for all Parties involved as well as tracking of mitigation outcomes to ensure environmental integrity and real emission reduction.
- There is an urgent need to establish guidance for accounting, which will also include elements of measuring and calculating, recording, reporting of mitigation outcomes, necessary adjustment, carried-over, registry, verification, issuance, transfer of outcomes, public information, and accounting report.
- Guidance for Environmental Integrity and Sustainable Development to be developed with key principles of robustness and credible mitigation outcomes, clearly tracked and accounted for as corresponding adjustment, drive emission reduction significantly beyond NDCs, and growing mitigation ambition.

B. Article 6.4 of the Paris Agreement

Under Article 6.4 of the Paris Agreement, Parties established a mechanism to contribute to the mitigation of greenhouse gas emissions and support sustainable development under the authority and guidance of the Conference of the Parties serving as meeting of the Parties to the Paris Agreement (CMA). Under the Kyoto Protocol, a similar mechanism, namely clean development mechanism (CDM) was established as the only mechanism to involve developing country Parties and has been in operation since the start of the first commitment period of the Kyoto Protocol. Similarly, Track 2 of Joint Implementation among developed country Parties also has similar nature as the mechanism established under Article 6.4.

- Both of those flexibility mechanisms under the Kyoto Protocol with more than 10 years in operation have had rules, modalities and procedures that we can learn from and build upon in our effort to develop the rules, modalities and procedures for the mechanism established by Article 6.4. Those decisions under CMP (including Dec.3/CMP.1, 4/CMP.1, and 7/CMP.1 in relation to CDM, Dec.9/CMP.1 and 10/CMP.1 regarding JI, and Dec.11/CMP.1 on IET) can be beneficial to our effort in developing rules, modalities and procedures for mechanism under Article 6.4.

- As stated in Article 6.4, such mechanism is under the authority and guidance of the CMA and shall be supervised by a body designated by the CMA. Learning from what happened under the KP, it is clear that such body will have a key role in ensuring not only transparency and tracking as a way to avoid of double counting but also the process and progress of issuance of units under the mechanism. Therefore, it is a must that such body should be more technical and less political. Institutional arrangement of governance at the global level is important to ensure not only transparency and tracking of units being issued, transferred, and transacted, but also for sharing of data and best practices of activities to be replicated. Learning from the experience of CDM, it may also be an option to consider strengthening the capacity and resources of the secretariat of the aforementioned body to speed-up process with clear timeline.
- It is also clear that governance at the national level is key, as this mechanism also aims to incentivize and facilitate participation of public and private entities authorized by a Party in the mitigation of greenhouse gas emissions in accordance with Article 6.4(c). Participation of public and private entities will need authorization from the respective Party to ensure its consistency with national priority and circumstance.
- Article 6.6 states that activities under this mechanism have to have a share of proceeds to cover administrative expenses, but more importantly, to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation. Adaptation has become and will become a greater issue due to the delay of progress in our global effort to reduce and limit greenhouse gases emission. There have been some discussions on financing for adaptation under the Paris Agreement. On this matter and especially the one with the SoP as the source of finance, Indonesia is of the view that such support for adaptation shall be channeled through the Adaptation Fund.
- As part of cooperative approaches, mechanism under Article 6.4 has to apply Environmental Integrity and Sustainable Development as its basic requirements.

C. Article 6.8 of the Paris Agreement

Under Article 6.8 of the Paris Agreement, Parties recognize the importance of integrated, holistic and balanced non-market approaches to assist Parties in the implementation of their nationally determined contributions (NDCs), in the context of sustainable development and poverty eradication. This does not necessarily mean that all actions of a Party have to be funded and supported by other Parties. It is rather that international support and cooperation will further enhance such actions so they will bring more benefit not only in terms of tackling climate change, but also, and most

importantly, with regard to supporting sustainable development and eradicating poverty, especially in developing countries.

- Indonesia is of the view that non-market approaches under Article 6.8 are initiatives or cooperation between two Parties or among a number of Parties to fulfill the host country's NDC. Only those initiatives and cooperation between/among Parties can be defined as non-market approaches, hence, not for those conducted through international agencies/entities. It includes policy adjustment as a result of such cooperation that creates enabling environment towards NDCs fulfillment.
- Emission reduction resulted from non-market approaches has to be measured, reported, monitored and accounted as part of a Party's effort in achieving its NDCs as well as to increase the Party's ambition in reducing emission.
- There will be no transfer or transaction of units under any initiatives and cooperatives under Article 6.8. A number of bilateral cooperation, including the one between Indonesia and Norway, are part of non-market approaches, including the implementation of result-based payment.
- Collaborations between developing countries under South-South cooperation framework are also a form of of Article 6.8 implementation. Indonesia has undertaken such initiatives with several Pacific Island States, as well as some members of LDCs in Asia and Africa. Triangular cooperation schemes between developing countries with support from developed countries are also part of Article 6.8 and therefore it must be recognized, reported and accounted for as part of transparency.
- With regard to the work programme for Article 6.8, Indonesia would like to suggest the inclusion of elements as follow:
 - Scope of actions under the work programme, including, inter alia, understanding and definition, as well as type of activities to be included and implemented under Article 6.8;
 - Timeline of the work programme; and
 - Type of activities under work programme of Article 6.8 (call for submissions, summary paper, technical paper, technical workshop, etc.).

D. Relation amongst sub-articles, with other articles as well as with other relevant legal instruments

1. Relation within Article 6 of the Paris Agreement

- All paragraphs under Article 6 are interrelated as part of cooperative approaches among Parties. Several elements are applied to all of them, namely:

- First and foremost, to be able to engage and be recognized under Article 6, a country has to be Party to the Paris Agreement. Involvement of non-Party stakeholders or non-state actors is possible as an integral part of and duly endorsed by a Party. Therefore, it is important to have a clear governance at the national level, at least in terms of national inventory and national registry;
 - Guidance for environmental integrity as well as sustainable development are to be applied to all three approaches, namely under Article 6.2, Article 6.4 as well as Article 6.8. To ensure the effectiveness of environmental integrity and sustainable development under Article 6, there is a need for a set of criteria and procedures of environmental integrity and sustainable development.
- In the case of a Party decides to use mitigation outcomes under Article 6.2 to become units to be transacted under Article 6.4, some adjustment will be needed. As stated previously, there is significant difference between Article 6.2 and Article 6.4 in terms of governance, baseline and methodology to be applied. Article 6.2 will have limited global governance element except for tagging and tracking, whilst Article 6.4 will have more rigid global governance including in terms of defining baseline and methodology. Therefore, our understanding is that conversion of mitigation outcomes of Article 6.2 into units under Article 6.4 has to involve weighing based on relevant baseline and methodology involved. In short, mitigation outcomes of Article 6.2 are not full fungible or mutually interchangeable as units under Article 6.4.
2. Relations with other Articles of the Paris Agreement. Article 6 is an integral part of the Paris Agreement. Therefore, there are a number of close relations between Article 6 and other Articles of the Paris Agreement, including:
- a. Relations with Article 3 of the Paris Agreement on a Party's commitment to undertake and communicate ambitious efforts in mitigation, adaptation, finance, technology, capacity and transparency. Article 6 is an integral part of implementation of NDC especially in the context of mitigation;
 - b. Relations with Article 4 of the Paris Agreement on mitigation part of the NDC. With regards to Article 4.8, information related to the use of Article 6 by relevant Party to achieved its NDC will benefit the process of clarity, transparency and understanding. There is also a very close link of Article 6 with Article 4.13 on accounting for anthropogenic emissions and removals corresponding of NDCs. It has to be made clear in the process, which part of accounting rules (including environmental integrity, transparency, accuracy, completeness, comparability and consistency, and ensure the avoidance of double counting) to be developed under Article 6, and which part to be

developed under Article 4 and/or Article 13 of the Paris Agreement, taking into account the complex nature of Article 6;

- c. Relations with Article 9 on financing of climate actions, especially Article 9.3 and Article 9.7, both in relations to Article 6.2, Article 6.4 and Article 6.8. There is a need to have further discussions and develop a common understanding on the relations of Article 6.8 with climate finance in general under the UNFCCC;
- d. Relations with Article 10 on technology development, technology transfer and technology cooperation, to ensure that the host country will benefit not only from the mitigation aspect but also in promoting sustainable development and ensuring poverty alleviation;
- e. Relations with Article 11 on capacity building, to ensure competency of human resources in the host country in ensuring sustainability of any initiatives conducted under Article 6;
- f. Relations with Article 12 on education, information and awareness raising to ensure sustainability of efforts;
- g. Relations with Article 13 on transparency as a key issue for effective implementation of the Paris Agreement in achieving the ultimate objective of the UNFCCC. We also need to agree on how the transparency part of actions under Article 6 will be developed and handled, including on how to and who will develop them;
- h. Relations with Article 14 on global stocktake, as Article 6 aims to assist Parties in fulfilling their respective NDCs and to go further for higher ambition, which will define how far our collective global effort is towards achieving the ultimate objective of the UNFCCC;
- i. Relations with Article 15 on facilitating implementation and promoting compliance of the Paris Agreement, as Article 6 may play a significant role for Party to ensure the fulfilment of its commitment under the Paris Agreement;

E. Questions and issues related to implementation of Article 6 of the Paris Agreement

- There have been discussions on how to continue and transfer flexibility mechanism under the Kyoto Protocol to be part of Article 6 implementation. Understanding the changing features of a Party's involvement from those under the previous legal instrument into those under the Paris Agreement, it is also useful to see how other voluntary schemes on carbon transfer and transaction will be treated during the implementation period of the Paris Agreement;

- There is a need to have a common understanding and agreement in defining baseline and methodology involved in activities under Article 6. It is clear that any cooperative approaches under Article 6 will be undertaken between and/or among Parties with different levels of economy as well as technological advancement and capacity of human resources. Therefore, the baseline and methodology will play a key role in defining and measuring the amount of emission reduction resulted from such cooperation. We need to ensure fairness, not only for the Parties involved but more importantly for the atmosphere.

F. How to operationalize each sub-article

a. Works under SBSTA up to SBSTA49

Timeframe	Type and scope of works	Expected outcome
SBSTA46	<ul style="list-style-type: none"> ▪ Deliberation in the nature of negotiation on elements of Article 6.2, Article 6.4 and Article 6.8 ▪ Roundtable discussions among Parties in a non-negotiation nature 	<ul style="list-style-type: none"> ▪ Key elements for further deliberation during SBSTA47 ▪ Understanding of issues arisen with regards to Article 6
In between SBSTA46 and SBSTA47	<ul style="list-style-type: none"> ▪ Submission in a more detailed nature on guidance for Article 6.2; on rules, modalities and procedures for Article 6.4; and on workprogramme for Article 6.8 ▪ A non-negotiation nature of intersessional roundtable discussion among Parties on each sub-article based on submissions 	<ul style="list-style-type: none"> ▪ More clarity on relevant issues to be discussed further during the roundtable discussion ▪ Further understanding among Parties to be captured in paper as reference for further process
SBSTA47	<ul style="list-style-type: none"> ▪ Negotiation on elements of Article 6.2, Article 6.4 and Article 6.8 based on the outcome of intersessional roundtable discussion ▪ Roundtable discussion among Parties 	<ul style="list-style-type: none"> ▪ Conference room paper as the basis for further negotiation ▪ Understanding of issues arisen with regards to Article 6
In between SBSTA47 and SBSTA48	<ul style="list-style-type: none"> ▪ Submission in response to conference room paper and the latest progress of the discussion 	<ul style="list-style-type: none"> ▪ More clarity on relevant issues to be deliberated further during SBSTA48
SBSTA48	<ul style="list-style-type: none"> ▪ Further negotiation based on submissions from Parties 	<ul style="list-style-type: none"> ▪ Draft decision based on progress in the negotiation
In between SBSTA48 and SBSTA49	<ul style="list-style-type: none"> ▪ Submission in response the draft decision 	<ul style="list-style-type: none"> ▪ More clarity on relevant issues to be deliberated further during SBSTA49

SBSTA49	<ul style="list-style-type: none"> ▪ Further negotiation based on submissions from Parties 	<ul style="list-style-type: none"> ▪ Draft decision based on progress in the negotiation to be delivered to SBSTA Chair to be considered under COP23 and/or CMA1.3
Post SBSTA49	<ul style="list-style-type: none"> ▪ Further work under SBSTA for detailed guidance of Article 6.2, rules, modalities and procedures for Article 6.4 as well as workprogramme for Article 6.8. 	<ul style="list-style-type: none"> ▪ Relevant decisions under the CMA to ensure effective implementation of Article 6

b. Effective implementation and operationalization of each sub-article

There will be two levels of requirements, namely at the global/international level and at the national level. Key issues will be:

- Governance at each level on each issues, including the role of CMA and its authorized body, the role of national government and its authorized body, the role of designated entities, etc;
- Accounting of mitigation outcomes and/or emission reduction units and/or other units with regards to Article 6.8, to ensure net global result as well as no double counting;
- Transparency of both actions and support related to it, including how to do tracking and tagging of mitigation outcomes and/or emission reduction units and/or other units with regards to Article 6.8 as an effort to ensure net global result as well as no double counting;

There is also a need to have more detailed and technical discussions on issues related to the baseline and methodologies involved under the implementation of Article 6, to be developed by SBSTA and to be adopted by CMA.
