

**SUBMISSION
ON ITEMS RELATED TO ARTICLE 6
OF THE UNFCCC'S PARIS AGREEMENT**

19 October 2017

Purpose

The Republic of Ecuador, on behalf of the Like-Minded Developing Countries (LMDC), welcomes this opportunity to express views on the guidance, rules, modalities, procedures, programme of work and draft decision associated with Article 6.

Context

Article 6 is framed by the recognition that Parties may voluntarily cooperate in the implementation of their nationally determined contributions (NDCs) to allow for higher ambition in their climate action and to promote sustainable development and environmental integrity. These initiatives of cooperation essentially stem from the diversity of national prerogatives and the respective interests driving them, taking into full account the legitimate priority and needs of developing countries for the achievement of sustained economic growth and the eradication of poverty. Accordingly, this diversity should to be embraced if such efforts are to be fostered.

Principles

- 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 behaviors (i.e. speculation, spillover effects, undue welfare burdens).

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:

- Include any NDC bearing Parties wishing to engage in the cooperative approaches described under Article 6.

- Preserve national prerogatives associated with NDCs or sustainable development priorities, without imposing any conditions that would prejudice or undermine those prerogatives.

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

Scope

Article 6.2 essentially deals with the transfer of mitigation outcomes, while article 6.4 deals with not only the transfer but also the generation of mitigation outcomes.

What is common to Articles 6.2 and 6.4 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 undermining 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, especially in article 6.2. 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 reduction and/or avoidance (Articles 6.2, 6.4 and 6.8, 6.9).

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 minimum comparability of their 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 generation) can only be considered under Article 6. In this respect, Article 6.8 would be useful in developing sustainable development tools that would be useful for the consideration of cooperating Parties in 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 sustainable development transition for all Parties, including the recognition of the emissions reduction and/or avoidance.
- Assess and address the possible 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 measures in place to ensure that Article 6 stays focused on this objective and not be distracted by other interactions such as speculative inclinations.

One such measure could be the share of proceeds mentioned in Article 6.6 as a transactional fee for activities under the Article 6.4 mechanism. The stated purpose of this fee is to support administrative expenses and adaptation costs for vulnerable Parties. This will reinforce the primary goal of using transfers under Article 6 ensure that this article is used for meeting NDCs. This would:

- Lend further support to the adaptation needs of vulnerable Parties.
- Encourage NDC implementation (the primary goal of Article 6).
- Reduce volatilities and harmful spillovers associated with speculative activities.

Share of 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.

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.

Supplementarity

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 to 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, and therefore there should be . While these may be extreme scenarios, the Paris Agreement was intended as a global, durable agreement.

Accordingly, provisions are required to ensure that the use of mitigation outcomes towards the achievement of NDCs, whether under Article 6.2 or 6.4, should be supplemental to domestic actions.

Issues for Article 6 paragraphs 8 and 9

- Undertaking of a work program under the framework of non-market approaches (WPFNMA) to identify and enhance linkages and create synergies between inter alia, mitigation, adaptation, finance, technology transfer and capacity-building, and to facilitate the implementation and coordination of non-market approaches.
- Development of instruments to facilitate cooperation between Parties to achieve an integrated, holistic and balanced approach in their implementation of the Convention and the Paris Agreement, without the transfer of units and in the context of their efforts to achieve sustainable development and poverty eradication.
- Development of a guidance for incorporating NMAs in the cooperation between Parties mentioned above, with regard to the implementation of their NDCs or any other activity under the Convention and the Paris Agreement in areas such as joint mitigation and adaptation for the integral and sustainable management of forests, socio-ecological resilience, avoidance of emissions, justice-based schemes, ecosystem-based adaptation, integrated water management, energy efficiency schemes, among others.

- Development of registry of needs identified by Parties for the implementation of their NDC through NMAs, complemented by a matching facility that ensures the articulation between the needs and the means of implementation regarding the support on finance, technology transfer and capacity building.
- Establishment of institutional arrangements, building upon existing processes, to allow the articulation of NMAs across existing relevant instruments, arrangements, committees and mechanisms under the Convention and the PA (including the Financial Mechanism, the Technology Mechanism and the Paris Committee on Capacity Building as well as the Global Stocktake, the Platform of indigenous peoples and local communities for the exchange of knowledge, technologies and efforts regarding climate change).
- Establishment of an information-sharing process for the development and implementation of NMAs at the national regional, and international levels, including best practices and lessons learned in developing and implementing policies and initiatives.