

**SUBMISSION BY PERÚ ON BEHALF OF THE AILAC GROUP OF COUNTRIES
COMPOSED BY CHILE, COLOMBIA, COSTA RICA, HONDURAS, GUATEMALA,
PANAMA, PARAGUAY AND PERU**

Subject:

- **Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement.**
- **Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement.**
- **Work programme under the framework for non-market approaches referred to in Article 6, paragraph 8, of the Paris Agreement**

References: FCCC/SBSTA/2017/L.15
FCCC/SBSTA/2017/L.16
FCCC/SBSTA/2017/L.17

Introductory Remarks

1. AILAC welcomes the opportunity to submit its views on the guidance on cooperative approaches established by Article 6, paragraph 2 of the Paris Agreement (PA), content of the rules, modalities and procedures (RMPs) for the mechanism established by Article 6, paragraph 4 of the PA and content of a draft decision of the Work programme under the framework for non-market approaches referred to in Article 6, paragraph 8 of the PA, including the structure and areas, issues and elements to be addressed.
2. This submission should be read in conjunction to prior AILAC submissions.¹
3. For AILAC it is crucial to have a clear and common understanding on the main purpose and role that carbon markets and non-market approaches will play in the achievement of Nationally Determined Contributions (NDCs) and the collective global goals of the Paris Agreement with a view of increasing overall ambition. Also, in order to fulfill these purposes, it will be fundamental to ensure coherence amongst carbon market instruments that are being developed within the Convention and others, including CORSIA.
4. In the same vein, the design of carbon market approaches under Article 6 should take into consideration experiences and lessons learnt from implementation of the flexibility mechanisms of the Kyoto Protocol. Therefore, it will be necessary to determine which of the existing RMP, methodologies and activities *could be* applicable under the Paris Agreement, *and if they require modifications*.
5. Finally, AILAC recognizes that due to the technical complexity of the work ahead us, it will be necessary to ensure a continuous and active participation of non-Party stakeholders in the negotiation process in order to enhance the understanding of all aspects that we have to consider in designing guidance and RMPs for the implementation of Article 6 of the PA.

¹http://www4.unfccc.int/Submissions/Lists/OSPSubmissionUpload/233_317_131354732362064812-170331%20AILAC%20Submission%20Article%206%202017.pdf

Content proposal for the guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement

A. Overarching issues and principles (environmental integrity, promoting sustainable development, avoiding double counting)

6. This section should be focused on providing a general description on how main guiding principles of the Article 6 of the PA will be operationalized, as described below:
 - a) *Ensuring environmental Integrity*: The implementation of Article 6 must contribute to the achievement of the long-term goals of the PA (those set out in Articles 2 and 4.1), therefore, it must be ensured that, under no circumstances, implementation of markets and non-market approaches lead to an increase in global GHG emissions. In addition, Article 6 should be used as an instrument to encourage countries to have a progression over time in their NDCs with a view of increasing their ambition. Ensuring environmental integrity is also linked to the principle of avoiding double counting, and in consequence, Parties must implement measures to fulfil them in a coherent manner.
 - b) *Promoting Sustainable Development*: To fulfil this principle which is a national prerogative, activities and interactions resulting from implementation of cooperative approaches should be aligned to national and global sustainable development goals.
 - c) *Avoiding double counting*: Guidance on cooperative approaches should take into account measures, processes and infrastructure that ensure the avoidance of double counting in their implementation.

B. Definitions

7. Once progress is made in the design of guidance on cooperative approaches, it will be necessary to identify which definitions should be elaborated.

C. Scope and applicability of guidance for Article 6.2

8. This guidance will be applicable to all Parties interested in participating in cooperative approaches and international transfer of mitigation outcomes.
9. Guidance should allow interaction between two or more Parties under cooperative approaches.
10. Accounting and transparency guidance designed for cooperative approaches under Article 6.2 should also cover mitigation outcomes achieved through implementation of the mechanism under Article 6.4.

D. Governance

11. *Scope of governance*: To ensure that Parties involved in cooperative approaches comply with the guiding principles of article 6, it will be necessary to establish governance at the national and international levels. This governance, moreover, must include some measures, processes and instruments such as the following:
 - a) International level:

- An international registry that records transactions of ITMOs, and their use, including for the Corresponding adjustments made by Parties,
- Ensuring that standards and methodologies developed in cooperative approaches, follow the guidance by CMA, as appropriate

b) National level:

- Authorization by Parties involved in cooperative approaches for the use of ITMOs to achieve NDCs, ensuring environmental integrity and contribution to sustainable development (following the mandate provided in article 6.3).
- Each participating Party should also consider the development of accounting systems that facilitate tracking, registry and cancellation, as appropriate, of ITMOs transferred under these cooperative approaches.

E. Participation

12. Participation on cooperative approaches must be subject to eligibility criteria such as:

- A Party should quantify its NDC to participate in cooperative approaches.
- A Party should establish the national registry infrastructure for issuance, transfer, use and cancellation of ITMOs and/or the necessary infrastructure.
- A Party should fully comply with environmental integrity, robust accounting and transparency principles.
- A party should establish a process/procedure for national authorization for the use and transfer of ITMOs to achieve NDCs.

F. Internationally transferred mitigation outcomes in Article 6.2

13. Definition of ITMOs: ITMOs under cooperative approaches are mitigation outcomes that seek to be internationally transferred to be counted towards the respective NDC and should be expressed in terms of tonnes of CO₂ equivalent (tCO₂e) or otherwise recognized by the UNFCCC.

14. Issuance and transfer of ITMOs: An ITMO should have a unique identification. Its transfer will need a national authorization.

G. Robust accounting².

15. Parties should implement measures, processes and instruments in order to ensure a robust accounting and fulfil the principle of avoidance of double counting such as:

- a) Quantification of NDCs at the starting point, and consider the use of a budget approach.
- b) Periodic calculation of the corresponding adjustments that could help assess if a given Party has achieved its NDC. These adjustments should be made in the form of an “account balance” based on their National GHG inventories.
- c) Avoidance of all types of double counting (double issuance, double selling, double claiming, double registry, etc.) through implementation of the appropriate registry infrastructure to provide a centrally accessible record of information related to the issuance, transfer, use and/or cancellation of ITMOs and corresponding adjustments undertake by Parties.

² Accounting guidance shall apply not only to the Party acquiring ITMOs but also to the Party transferring them.

H. Transparency

16. Biennial reporting under the enhanced transparency framework in function of the moment of the implementation of the NDC as appropriate:
 - a) Description of cooperative approaches in which a Party is involved.
 - b) Initial NDC accounting/ quantification at starting point,
 - c) Tracking of ITMOs throughout the NDCs implementation period, as appropriate.
 - d) Final accounting of ITMOs towards the achievement of the NDC: report at the end of the NDCs implementation period on the use of ITMOs for the achievement of NDCs, as appropriate.
17. This reporting should be complemented with tabular formats (to be designed) that include quantitative information of transfer and corresponding adjustments made by Parties.
18. Technical review of experts under the ETF should review that information provided by Parties and related to transfer and use of ITMOs is complete, transparent, comparable and consistent with the MPGs of the ETF.

I. Infrastructure

19. In order to avoid double counting, it will be necessary to design and implement an international registry which records transfers of ITMOs and will be linked to national registries.

J. Supplimentarity

20. Supplimentarity: Parties should do their best effort for implementing domestic mitigation measures before using ITMOs towards achievement of their NDCs.

K. Share of proceeds

21. Although the Paris Agreement only has the mandate to consider a share of proceeds for the mechanism under Article 6.4, AILAC is open to discuss about conditions under which a similar instrument could be applied for cooperative approaches under 6.2.

22. Interlinkages

23. Relationship between Article 6.2 and Article 6.4: Cooperative approaches under article 6.2 and mechanism under article 6.4 are independent, but closely linked. As stated above, mechanism under Article 6.4 should be subject to the accounting and transparency guidance designed for cooperative approaches. However, any given Party could choose participating in cooperative approaches and make use of the mechanism established in Article 6.4 or just participate in one of these options.

Views on Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement

A. Overarching issues and principles

24. This section should be focused on providing a general description on how main guiding principles of the Article 6 of the PA will be operationalized. For instance:
 - a) *Ensuring environmental Integrity* (see paragraph 5 a) of this submission).

- b) *Promoting Sustainable Development*: The fulfilment of this principle is a national prerogative. National Governments should design process to ensure contribution to sustainable development made by emissions reduction activities under mechanism established by Article 6.4.
- c) *Avoiding double counting*: Guidance on cooperative approaches should take into account measures, processes and infrastructure that ensure the avoidance of double counting in the implementation of the mechanism established by Article 6.4, in line with accounting guidance designed for Article 6.2.

B. Definitions

25. Once progress is made in the design of guidance on cooperative approaches, it will be necessary to identify which definitions should be elaborated.

C. Governance

26. As AILAC stated in its last submission, the mechanism under 6.4 would be a space for the generation of mitigation outcomes and would have a Governing Body for its overall management. This Governing Body could also allow other international mechanisms to generate mitigation outcomes, once they have gone through a process of periodic certification. Therefore, all RMP related to governance should reflect these considerations and should include, inter alia, the following elements:

- a) Roles of the CMA
 - Designate members of the Governing Body
 - Approval of modification of the RMPs
- b) Composition of the Governing Body
- c) Roles of governing body should include:
 - Management of the mechanism under the UNFCCC
 - Certification of non-UNFCCC mechanism.
 - Certification of international verifiers.
 - Management of a centralized registry.
- d) Operation of the mechanism under the UNFCCC
 - Registry of activities
 - Procedures for issuance of ITMOs/mitigation outcomes
 - Procedures for approval or adoption of methodologies
- e) Operation of mechanisms outside the UNFCCC for purposes of the Paris Agreement:
 - Development of a guidance for certification of mechanism outside of the convention that includes criteria such as:
 - Units issued under a given mechanism should meet the definition of ITMO.
 - Mechanism must use robust methodologies for estimation of emissions reductions.
 - Mechanism must have a public registry (that respond to the RMPs for the Article 6.4)
 - Emissions reduction activities subject to issuance of unit by a given mechanism outside of the UNFCCC should meet eligibility criteria defined by the RMPs for Article 6.4.
 - Mechanism must be operated under the concept of additionality to be defined in the RMPs for the Article 6.4
 - Other criteria that are identified

- Establishment of a regular certification process to allow operation of mechanisms outside of the UNFCCC for purposes of the PA (based on the guidance mentioned above): this process could lead to a partial certification of the mechanism in case of, for instance, not all its methodologies or activities meet the MRP designed for the Article 6.4.
- f) Roles of participating Parties (national governments; DNAs)
 - National approval of activities
 - Management of national registries
- g) Roles of international verifiers
 - Validation and verification of ITMOs
 - Validation of methodologies

D. Scope and applicability of the RMP for the mechanism

27. In order to define the scope and applicability of the RMPs for the mechanism under Article 6.4 Parties should take into account, inter alia, some issues such as:

- a) Accounting and transparency guidance designed for cooperative approaches under Article 6.2 should also cover emissions reductions achieved through implementation of mechanism under Article 6.4.
- b) Activities should meet additionality guidance to be defined in the RMPs
- c) Any activity resulting in an international transfer of mitigation outcomes is subject to a corresponding adjustment on both the issuing and the receiving Parties.
- d) AILAC is open to the possibility of including activities from outside the scope of the host country NDC in the scope of Article 6.4 as long as sufficient mechanisms to ensure robust accounting (including corresponding adjustments), environmental integrity and increasing ambition (including a move toward economy-wide NDCs for all Parties) can be established.
- e) Other eligibility criteria for emissions reduction activities that are identified.

E. Aspects of Activity

28. Some elements such as, inter alia, could be included in this section:

- a) Baselines estimation: methodologies should be designed not only for projects but also for other type and scale of activities such as policies, sectoral approaches, programme of activities, among others. Baseline methodologies should seek to be as robust as possible, including the use of counterfactual baselines, and the use of conservative approaches to guarantee environmental integrity and overall mitigation.
- b) Monitoring of GHG emissions reductions
- c) Stakeholder consultation
- d) Development/adjustment/updating of tools and methodologies for GHG emissions reduction estimation
- e) Additionality

F. Activity cycle

29. Once the mechanism is designed, it will be established what should be the stages of the cycle that must follow the activities eligible to it

G. Share of proceeds

30. RMPs for mechanism under 6.4 should include how a share of proceeds will be applied to activities under this mechanism and what shall be the repository (e.g.: a multilateral fund) of resources received thanks to application of the levy.

H. Overall mitigation on global emissions

31. For AILAC it will be crucial to define a procedure to ensure that transfer and use of mitigation outcomes from article 6.4 towards achievement of NDCs contributes to overall mitigation. In addition, AILAC is open to discuss about the possibility of adapting this concept to the implementation of cooperative approaches under 6.2.

I. Limits and safeguards

32. Supplementary: Parties should do their best effort for implementing domestic mitigation measures before using ITMOs towards achievement of their NDCs.

J. Infrastructure

33. In order to avoid double counting, it will be necessary to design and implement a centralized international instrument which records transfers of ITMOs and will be linked to national registries.

K. Transparency

34. Biennial reporting under the enhanced transparency framework in function of the moment of the implementation of the NDC as appropriate:
- e) Initial NDC accounting/ quantification at starting point,
 - f) Tracking of internationally transferred mitigation outcomes throughout the NDCs implementation period, as appropriate.
 - g) Final accounting of ITMOs towards the achievement of the NDC: report at the end of the NDCs implementation period on the use of ITMOs for the achievement of NDCs, as appropriate.
35. This reporting should be complemented with tabular formats (that should be designed) that includes quantitative information of transfer and corresponding adjustments made by Parties.
36. Technical review of experts under the ETF should review that information provided by Parties and related to transfer and use of ITMOs is complete, transparent, comparable and consistent with the MPGs of the ETF.

L. Robust Accounting

37. Parties should implement measures, processes and instruments in order to ensure a robust accounting and fulfil the principle of avoidance of double counting such as:
- a) Quantification of NDCs at the starting point.
 - b) Periodic calculation of the corresponding adjustments that could help assess if a given Party has achieved its NDC. These adjustments should be made in the form of an “accounting balance” based on their National GHG inventories.
 - c) Avoidance of all types of double counting (double issuance, double selling, double claiming, etc.) through the implementation of the appropriate registry infrastructure to provide a centrally accessible record of information related to the issuance, transfer, use and/or cancellation of ITMOs and corresponding adjustments undertake by Parties.

Work programme under the framework for non-market approaches referred to in Article 6, paragraph 8, of the Paris Agreement

A. Overarching issues and principles

- 38.** This section should be focused on providing a general description on how main guiding principles of the Article 6 of the PA will be operationalized. For instance
- a) *Ensuring environmental Integrity* (see paragraph 5 a) of this submission).
 - b) *Promoting Sustainable Development*: It is a national prerogative. To fulfil this principle, activities resulting from implementation of non-market approaches should be aligned to national and global sustainable development goals.
 - c) *Avoidance of additional burden and replication of efforts*.

B. Work programme activities

- 39.** A decision on this issue should include a list of criteria that non-market approaches implemented by Parties should fulfil such as:
- a) Two or more Parties should be involved in international collaborative initiatives under NMA.
 - b) Activities under NMA are not developed anywhere else under the UNFCCC and do not constitute an additional burden for Parties.
 - c) There is no a transfer of ITMOs during implementation of NMA.

C. Modalities of work programme

- 40.** A decision on this issue should include modalities through which Parties exchange experiences or joint implementation of non-market approaches should be facilitated.