Joint Inputs on Avoiding Double Use for Outside the Nationally Determined Contribution for Article 6.4 of the Paris Agreement

KEY RECOMMENDATIONS

1. *All Article 6.4 transfers must follow Article 6.2 accounting rules*: The transfer of any emission reductions generated under Article 6.4 must adhere to the same accounting requirements as Article 6.2.
2. *Apply corresponding adjustments for all sectors, activities, and gases outside of a country's NDC*: Any emissions reductions transferred from outside the scope of a country's NDC should demonstrate robust MRV and baselines in the non-NDC sector/gas, and the transfer should be reflected by recording the addition of a corresponding amount of emissions in the country's emissions balance in accordance with paragraph 77(d) of the Annex to Decision 18/CMA.1.
3. *Apply corresponding adjustments for any ITMOs used for mitigation purposes other than the NDC*: To facilitate the use of emission reductions by non-Party actors—such as airlines under the International Civil Aviation Organization's CORSIA—in a way that ensures the avoidance of double use/double counting, such transfers should be subject to the corresponding adjustment.

ACHIEVING THE POTENTIAL OF ARTICLE 6

Conservation International, Environmental Defense Fund (EDF) and the Nature Conservancy are grateful for the opportunity to provide input on avoiding the double use of emission reductions outside the Nationally Determined Contribution (NDC) under Article 6.4 of the Paris Agreement. We also welcome efforts by the SBSTA Chair to advance discussions under these challenging circumstances, including by convening informal expert dialogues on Article 6 of the Paris Agreement.

Article 6 establishes a broad framework for voluntary cooperation among Parties in the implementation of their NDCs. The Article sets out three approaches through which Parties may voluntarily interact: 1) "bottom up" bilateral or regional cooperative approaches via internationally transferred mitigation outcomes (ITMOs), 2) a mechanism to contribute to mitigation and support sustainable development, and 3) non-market approaches. These are outlined in Articles 6.2, 6.4, and 6.8, respectively.

In line with the principles of the Convention, every Party can determine its preferred approach in this new architecture and choose whether to participate. Approximately half of all current NDCs demonstrate interest in fulfilling a portion of their emission reduction targets using international market-based approaches,[1] which may take the form of emission trading or similar mechanisms.

If countries set up the rules properly, Article 6 could dramatically accelerate countries' efforts to meet and beat their NDCs. An analysis by EDF concluded that re-investing the full cost savings potentially achievable through Article 6 into greater emissions reductions could roughly double global climate ambition, without any additional cost.[2]

At the upcoming United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP) in Glasgow, Parties will continue negotiations to finalize the rules necessary to implement Article 6 of the Paris Agreement. Conservation International, EDF and The Nature Conservancy have prepared the following inputs on "avoiding double use for outside the NDCs for Article 6.4" for consideration by Parties.

RISK OF DOUBLE USE

The scope of current emissions targets in countries' NDCs under the Paris Agreement varies considerably, and there are both advantages and disadvantages to allowing the transfer of ITMOs originating outside of a country's NDC. For example, allowing Parties to transfer ITMOs from outside of its NDC may drive investments into national actions that are additional to what was already planned under the NDC. However, failure to account for the transfer of such reductions could create a disincentive for transition to economy-wide targets, making it unattractive for countries to include additional sectors in future NDCs.

One potential compromise would be to allow transfers from outside of a country's NDC, provided that cooperating countries—and international airlines—only use a transferred emissions reduction once. Indeed, the success of Article 6 in driving ambitious emissions reductions will depend on strong rules for environmental integrity. "Double use" (as a form of double counting) occurs when the same emissions reduction is used by both the buyer and the seller, e.g., used towards the climate change mitigation effort of both the host country and another country, or international airline.

EDF analysis found that the total volume of emissions at high risk of double use because they are outside of NDCs, or originate in countries without clear greenhouse gas (GHG) targets expressed in absolute terms, is potentially equivalent to a third of global emissions, depending on how NDC GHG targets are interpreted.[3] To put such numbers in context, three out of four emissions coverage scenarios analyzed by EDF indicate that the total volume of emissions at high risk of double use exceeds the magnitude of the entire ambition of first NDCs relative to a 2030 current-policy baseline estimate. In other words, all the emissions reductions estimated in current NDCs could be wiped out if double use is not avoided.

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[1] See the International Emissions Trading Association's INDC Tracker

[2] EDF. (2019) How carbon markets can increase climate ambition. https://www.edf.org/climate/how-carbon-markets-can-increase-climate-ambition.

[3] EDF. (2018) New study shows "double counting" of emissions reductions outside NDCs a bigger risk than previously thought. http://blogs.edf.org/climatetalks/author/glesie/.

If the Article 6 rulebook were to allow such double use, total emissions could go up, not down. This issue is relevant for both international emission reduction transfers among countries under Article 6 of the Paris Agreement, and transfers from host countries to airlines under the International Civil Aviation Organization's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

In the interim period occurring while all Parties move towards economy-wide and fully quantified NDCs, transferring units from outside of an NDC could be possible without compromising environmental integrity or creating a disincentive for progressing to economy-wide targets provided that, at a minimum, the host Party demonstrates, inter alia, robust MRV and baselines in the non-NDC sector/gas, reflects the transfer of reductions by recording the addition of a corresponding amount of emissions in its emissions balance in accordance with paragraph 77(d) of the Annex to Decision 18/CMA.1, and follows all relevant Article 6.2 guidance.

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