

Submitted to:
Tosi Mpanu Mpanu,
Chair of the SBSTA

**IETA'S INPUT ON AVOIDING DOUBLE USE FOR OUTSIDE THE NATIONALLY
DETERMINED CONTRIBUTIONS (NDC) FOR ARTICLE 6.4
IETA SUBMISSION TO THE CHAIR OF SBSTA**

INTRODUCTION

The [International Emissions Trading Association \(IETA\)](#) welcomes this opportunity to provide input on avoiding double use for outside the NDC for Article 6.4 of the Paris Agreement. The COVID-19 pandemic has disrupted and halted the international negotiations on the implementation of the Paris Agreement, which could potentially cause harmful delays in the ability of the global community to respond to the climate crisis.

We therefore warmly applaud the initiative by the Chair of SBSTA, Tosi Mpanu Mpanu, to convene [informal technical expert dialogues](#) on Article 6 of the Paris Agreement. These informal dialogues can be instrumental in maintaining the momentum of the negotiations and helping prepare the groundwork for political negotiations at COP26 by bridging diverging positions and developing common understanding.

We are grateful that observer organisations representing the broader stakeholder community have also been invited to prepare submissions, as this can definitely enrich the discussion and bring more perspectives to the table. We hope that IETA's insights and recommendations, leveraging on the wealth of experience and expertise of our members, are used to inform these dialogues.

By way of brief introduction, IETA is a global multi-sector business association created in June 1999 to promote the establishment of a functional international framework for trading in greenhouse gas emissions. **As the leading international business voice on climate markets and finance**, IETA represents over 150 companies. IETA's market expertise is regularly called upon to inform market-based policies that deliver greenhouse gas (GHG) reductions and removals, address economic competitiveness concerns, and balance economic efficiencies with social equity and co-benefits.

IETA and its members actively support the advancement of the objectives of the United Nations Framework Convention on Climate Change and the Paris Climate Agreement, with a long history of engagement in the UNFCCC process.



IETA'S VIEWS ON AVOIDING DOUBLE USE FOR OUTSIDE THE NATIONALLY DETERMINED CONTRIBUTIONS (NDC) FOR ARTICLE 6.4

The avoidance of double counting amongst Parties, in all forms, is one of the key objectives of Article 6. It is essential to ensure the robustness and credibility of an international trading system.

Article 6.2 explicitly states that:

“Parties shall, where engaging on a voluntary basis in cooperative approaches that involve the use of internationally transferred mitigation outcomes towards nationally determined contributions, [...] apply robust accounting to ensure, inter alia, the avoidance of double counting, [...]”.

Further, the Paris Agreement Accompanying Decisions (Decision 36) mandate SBSTA to develop guidance *“to ensure that double counting is avoided on the basis of a corresponding adjustment by Parties for both anthropogenic emissions by sources and removals by sinks covered by their nationally determined contributions under the Agreement”.*

Therefore, the Article 6.2 text and accompanying Decision 36 explicitly require the application of corresponding adjustments as a means to avoid double counting in cooperative approaches.

The Article 6.4 mechanism is also subject to ‘no double counting provisions’, but they are framed in a slightly different way. Article 6.5 states:

“Emission reductions resulting from the mechanism referred to in paragraph 4 of this Article shall not be used to demonstrate achievement of the host Party's nationally determined contribution if used by another Party to demonstrate achievement of its nationally determined contribution.”

Article 6.5 therefore aims to prevent double counting, or rather double use in this case, in the context of the Article 6.4 mechanism. Nevertheless, there is no indication, in Article 6 or in the Decision text, on how this provision has to be operationalised, e.g. how to make a corresponding adjustment or otherwise demonstrate the avoidance of double counting. This ambiguity is at the origin of the different interpretations of the 6.4 accounting issue.

IETA has strongly supported the need to consider Article 6.4 units as ITMOs, and consequently to apply corresponding adjustments, if they are transferred to another country or if they are used for international compliance purposes (e.g. CORSIA). IETA sees the application of corresponding adjustments as the only way to guarantee the avoidance of double counting.

At the same time, IETA recognises that some NDCs only cover part of a country's emissions, and they need time and incentives to expand coverage. We recognise that in many countries, especially LDCs, there are



practical challenges to economy-wide NDCs at present, but this situation should not prevent finance from flowing to encourage reductions in non-NDC sectors.

In the interim period while all Parties move towards economy-wide and fully quantified NDCs, generating and transferring units from outside an NDC should therefore be possible. This should take place without compromising environmental integrity or creating a disincentive for progressing to economy-wide targets provided that, at a minimum, the originating Party demonstrates robust baselines in the non-NDC sector, and guarantees transparency by reporting the transfer.

In such cases, IETA has proposed that host Parties transferring units from non-NDC sectors should not be required to correspondingly adjust their NDC during an interim period. However, Parties transferring units from non-NDC sectors should commit to include the sector in a subsequent NDC, and no later than 2030. This structure avoids creating a disincentive for Parties to expand their NDCs across all sectors.

In our opinion, the exemption from corresponding adjustments should only apply to sectors of the economy that are clearly and explicitly outside the scope of a country's NDC – to exclude the risk of double counting - and only for a limited period of time, to avoid perverse incentives. In fact, we believe that to meet the Paris Agreement's emissions goals, all countries should voluntarily expand their NDCs to economy-wide coverage no later than 2030.

Compromise options that leave the choice of deciding whether specific activities are inside or outside the NDC to the host Party (as it is the case for some of the options found in the latest draft texts from COP25), even for a limited number of years, generate a real risk of double counting, which could erode the confidence and trust in the system. This situation could also create a perverse incentive for countries to resist expansion in the coverage of NDCs. This would run counter to the provisions on gradual progression to economy-wide coverage of NDCs, found in Article 4.4 of the Paris Climate Agreement.

Therefore, to ensure the avoidance of double counting, the 'exemption' from the application of corresponding adjustments, must only apply to sectors of the economy that are clearly and explicitly not covered by the scope of the NDC. Having the same exemption applied to individual activities would lead to a concrete risk of double counting, because it will be difficult to understand whether or not the underlying reduction would be claimed towards the host party's NDC.

For more info please contact Stefano De Clara at declara@ieta.org.