

Japan's submission on Article 6 of the Paris Agreement  
Financing for adaptation/Share of Proceeds (Article 6.2 and Article 6.4)

April 2021

## **Introduction**

Japan welcomes the invitation from the SBSTA Chair to voluntarily submit further views on the financing for adaptation/share of proceeds (Article 6.2 and Article 6.4). In the following, Japan presents its views on this subject.

## **Supporting adaptation through Article 6**

Acknowledging the growing concern for the vulnerability of our society for climate change, Japan holds the view that support for adaptation is crucial. At the same time, as for Article 6, Article 6.6 of the Paris Agreement specifies that a share of the proceeds (SoP) from activities under the mechanisms referred to in Article 6.4 is used to cover the administrative expenses as well as to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation. On the other hand, a SoP is not mentioned in Article 6.2, and therefore, our view is that adaptation finance through a SoP comes from the SoP as per Article 6.6, and a mandatory SoP cannot apply to Article 6.2.

## **Enhancing the function of a SoP under Article 6.4**

Based on the progress made during COP25, Japan believes operationalizing the SoP in Article 6.4 by setting a certain percentage of the Article 6.4ERs issued to be deducted and allocating them to the Adaptation Fund, is most important. In doing so, it would be valuable to learn from experiences of relevant entities and institutions on the SoP operational practices under the CDM.

As shown in the Figure.1 of the Annex, the circumstances surrounding revenues from the CDM fee changed significantly between the period up until 2012 and after 2013. As such, it is necessary to formulate better procedures to adapt to these changing circumstances.

## **Utilization of surplus of a SoP Administration for adaptation**

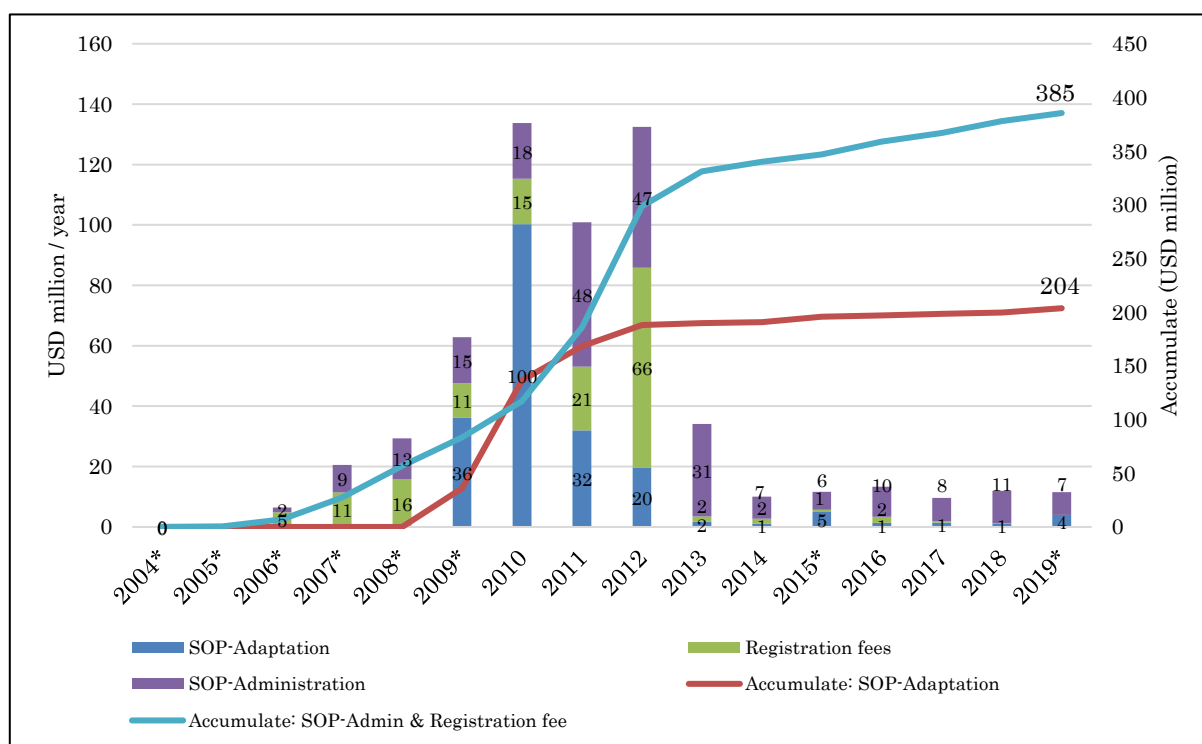
As shown in the Figure.2 of the Annex, the revenue from the SoP Administrative in the CDM has exceeded the operational costs, generating a considerable surplus between 2002 and 2012. Japan is of view that arrangements for effective allocation of the surplus funds from the Administrative to the Adaptation Fund should be made in the scope of the Article 6.4 mechanism. Japan is open to other proposals aimed at the effective use of the Article 6.4 SoP revenue.

Additionally, Japan supports continued efforts toward improvement in the arrangements based on actual implementation of the SoP Adaptation for Article 6.4, as indicated in paragraph 9 of a cover decision part in version 3 of the presidential draft text on Article 6.4 presented at COP25.

<Annex>

**Experience drawn from the CDM**

- Adaptation SoP: levied 2% at CERs issuance.
- By the end of 2019, the cumulative amount of CER deducted as the SoP Adaptation was about 40 million tons of CERs of which about 27 million CERs were sold, generating approximately USD 200 million.
- Administrative SoP: CER issuance applications, up to the first 15,000t-CO2 was USD 0.1 per CER, and for applications beyond that was USD 0.2 per CER, with the upper limit for registration fee set to USD 350,000.
- Registration fee: calculated based on the Administrative SoP at the time of project registration, and paid at CER issuance, the amount of fee depends on the amount of the expected emission reduction from the project. Since the registration fee is deducted from the final Administrative SoP, the registration fee is seen as an advance payment of the Administrative SoP for the amount of emission reduction in the first year.
- For the SoP-Administrative and registration fee, the cumulative amount from 2006 to the end of 2019 exceeded USD 380 million.
- The cumulative amount of the Administrative SoP and the registration fee was approximately 1.9 times more than the amount collected by the Adaptation SoP.



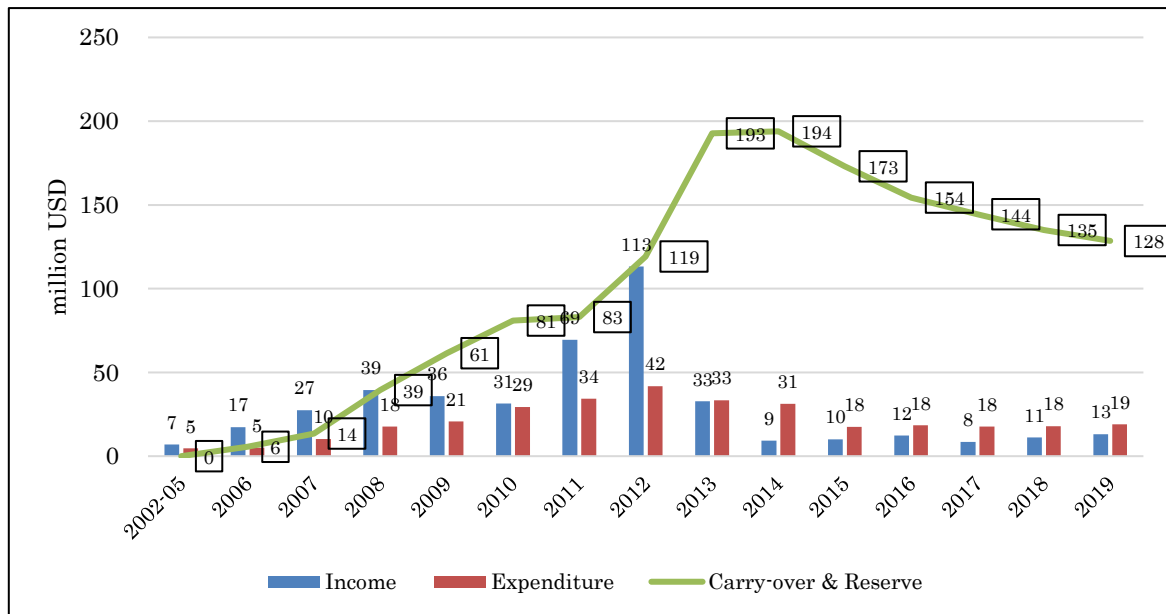
< Figure.1 SoP-Adaptation & SoP-Administration & Registration fee <sup>1 2 3 4</sup> >

<sup>1</sup> EB reports to CMP, [https://cdm.unfccc.int/Reference/EB\\_CMP\\_rep/index.html](https://cdm.unfccc.int/Reference/EB_CMP_rep/index.html)

<sup>2</sup> Adaptation Fund Trust Fund Financial Report Prepared by the Trustee As of September 30, 2018 , The World Bank Group Financial Intermediary Funds, 2018

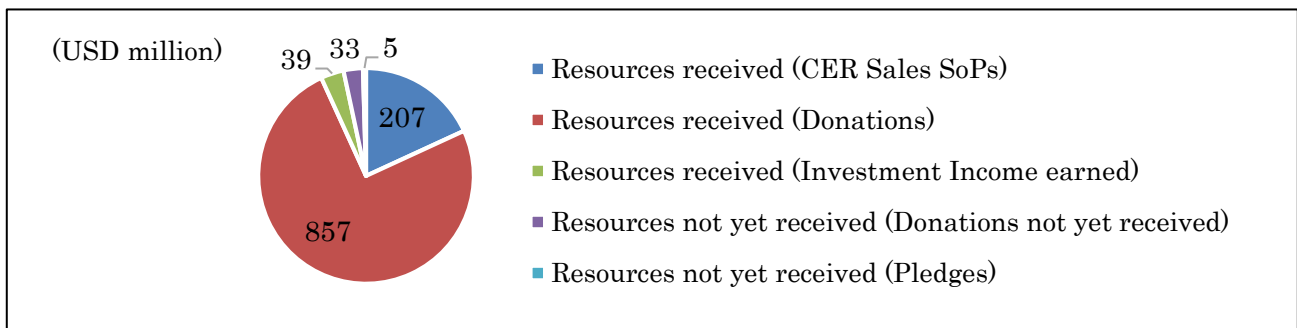
<sup>3</sup> Adaptation Fund Trust Fund Financial Report Prepared by the Trustee As of September 30, 2019, The World Bank Group Financial Intermediary Funds, 2019

<sup>4</sup> Adaptation Fund Trust Fund Financial Report Prepared by the Trustee As of December 31, 2020, The World Bank Group Financial Intermediary Funds, 2021



< Figure.2 CDM income, expenditures and accumulated surplus(USD million), 2002-2019 <sup>5</sup> >

- The cumulative amount of the Adaptation Fund as of December, 2020 was approximately USD 1.14 billion (including contributions of USD 850 million, the SoP-Adaptation CER sales of approximately USD 200 million, and investment income of approximately USD 39 million).



< Figure.3 Resources of Adaptation Fund <sup>6 7</sup> >

- The current composition of resources in Adaptation Fund comprise approximately one-quarter from a SoP (USD 207 million) and approximately three-quarter from donations (USD 857 million).

<sup>5</sup> Annual Reports of the CDM EB to the CMP, 2002-2019

<sup>6</sup> Adaptation Fund Trust Fund Financial Report Prepared by the Trustee As of December 31, 2020, The World Bank Group Financial Intermediary Funds, 2021

<sup>7</sup> Adaptation Fund Trust Fund Financial Report Prepared by the Trustee As of December 31, 2018, The World Bank Group Financial Intermediary Funds, 2019