

Least Developed Countries Group on Climate Change

10th May 2021

Submission to the SBSTA Chair by the Kingdom of Bhutan on behalf of the Least Developed Countries Group:

Ensuring rapid operationalization of Article 6 (Articles 6.2, 6.4, and 6.8)

The LDCs present their views on the matter of Ensuring rapid operationalization of Article 6 (Articles 6.2, 6.4, and 6.8), to be discussed under the Informal Technical Expert Dialogue scheduled for 20th May 2021.

The Least developed Countries are at the frontline of the effects of climate change. As such they are very cognisant of the need to take rapid, effective action to mitigate and to adapt to its effects. Article 6 instruments are central to all these elements and, as such, the LDC group supports as rapid as possible their operationalisation. To this end, the group recognises that a Work Group for 6.2, a mandate for a Supervisory Body for 6.4 and an execution of the Work Programme for 6.8 need to be delegated as soon as possible.

However, we understand article 6 mechanisms have as much potential of cancelling out climate related achievements as they do of enhancing them. Therefore, the LDCs would only support such rapid operationalisation if certain minimum standards are upheld, monitored and reviewed.

Such standards would apply equally to the Monitoring, Review and Verification, as well as to accounting under article 6.2 and to the guidance by the Supervisory Body and Work Programme of article 6.4 and 6.8 respectively. Indeed, it should be highlighted that it has been the position of the LDCs that the 6.2 and 6.4 mechanisms must have linked governance systems.

This submission will discuss the standards which need to be assured in general, reserving specific details for the technical discussions later this and over the next months.

The minimum standards guiding rapid operationalisation of article 6 instruments

All provisions of article 6 must be read in the context of the Chapeau to article 6.1, which states that the purpose of such mechanisms is to allow for higher ambition and promote environmental integrity¹.

¹ This was further underlined and elaborated in decision 1/CP.21 ensuring the '*double counting is avoided on the basis of corresponding adjustments*'.

These standards have also been adopted as part of the ‘San Jose Principles’, and should be applied to all three instruments (where relevant for NMA), as well as guided by a science-based approach aligning with a 1.5c temperature goal. The principles include:

- Ensuring environmental integrity and demanding the highest possible mitigation ambition.
- Delivering an Overall Mitigation in Global Emissions, moving beyond zero-sum offsetting approaches to help accelerate the reduction of global greenhouse gas emissions
- Prohibiting the use of pre-2020 units, Kyoto units and allowances.
- Ensures that double counting is avoided and that all use of markets toward international climate goals is subject to corresponding adjustments.
- Applying allocation methodologies and baseline methodologies that support domestic NDC achievement and contribute to achievement of the Paris Agreement’s long-term temperature goal. This means also that an international oversight body should be established with all ITMO transactions passing through and being approved by the central oversight mechanism. The central oversight mechanism would be operated by the UNFCCC Secretariat. All international transfers of Art 6.4 outcomes should be on the basis of ITMOs under Art 6.2
- Use of CO₂-equivalence in reporting and accounting for emissions and removals, fully applying the principles of transparency, accuracy, consistency, comparability and completeness, with technical modalities to operationalise accounting for other metrics and standardised methodologies for LDCs
- Use centrally and publicly accessible infrastructure and systems to collect, track, and share the information necessary for robust and transparent accounting
- Ensure incentives to progression and supports all Parties in moving toward economy-wide emission targets.
- Contribute to quantifiable and predictable financial resources to be used by developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation in the form of Share of Proceeds for the Adaptation Fund, to be levied on both mechanisms.
- Ensure that safeguard mechanisms are prescribed and in place

These standards must be provided in a CMA decision, as the overarching guidance which will define, limit and provide the basis for any mandate under article 6.

The following represents specific steps that need to be taken to operationalize the respective elements of Article 6:

Operationalization of Art 6.2

With respect to the operationalization of Article 6.2 some key steps are required:

- The UNFCCC Secretariat should be mandated to promptly establish the International Oversight Body which includes an international registry and have a system in place to numerically identify each ITMO traded for the purposes of recording and tracking ITMOs and to ensure that these records are held in a centralised, publicly available accounting system);
- Each country has an appropriate reporting mechanisms (registry) under the reporting requirements of Article 6 and Article 13 (including reporting on SOP and OMGE) and other elements as prescribed under Article 6.2;
- Each country should have the necessary guidance for the submission of its initial report to ensure consistency with the reporting requirements under the decision relating Article 6.2;
- Establish an agreed electronic format for each country to provide the necessary information on an annual basis on ITMO creation, first transfer, acquisition, cancellation and cancellations relating to OMGE and transfers for share of proceeds to the Adaptation Fund;
- The provision of financial and technical support to developing country Parties, particularly LDCs, to assist them with the reporting requirements;
- The establishment of an Article 6 Expert Review Team to ensure a prompt preview of the initial report of each participating Party and the review of biennial transparency reports;
- The establishment of a procedure for the Article 6 Expert Review Team to refer matters to the Committee established under Article 15.

Operationalization of Article 6.4

In addition to the measure described above for internationally transferred Article 6.4 Emissions Reductions, the following following steps should be taken:

- The establishment of the Supervisory Body established under Article 6.4;
- A request to the Supervisory Body to draft rules of procedure for consideration and adoption by the CMA;

- Each country has an appropriate reporting mechanisms (registry) under the reporting requirements of Article 6 and Article 13 (including reporting on SOP and OMGE) and other elements as prescribed under Article 6.4;
- A request to the Parties to the Kyoto Protocol to transfer all administrative funds held by the CDM Executive Board to the administrative funds of the Art 6.4 Supervisory Body;
- The provision of financial and technical support to developing country Parties, particularly LDCs, to assist them with participation and reporting requirements;
- The UNFCCC Secretariat should be mandated to provide the necessary support to the Supervisory Body

Operationalization of Article 6.8

The decision relating to the operationalization of Art 6.8 needs to be made promptly and without any further undue delay. The following steps should be taken to operationalise Article 6.8:

- Acceptance of the current workplan in the draft decision be accepted and a timeframe for the treatment of these elements should be established.
- A body should be established to oversee the operation of Article 6.8. This could be modelled on the Paris Committee on Capacity Building and meet in the margins of SBSTA meetings.
- A request for funding to the GCF to be made to ensure that the elements of the work plan are supported
- A request to the Secretariat to establish a unit to assist in the operationalization of the Article 6.8 work plan.