



NEW ZEALAND

Submission to SBSTA on matters related to Article 6 of the Paris Agreement 19 May 2021

Context

1. The SBSTA Chair in collaboration with the COP25 Presidency and incoming COP26 Presidency has invited Parties to submit their views on the matters related to rules, modalities and procedures for Article 6 of the Paris Agreement, in fulfilment of the mandate in paragraphs 36 – 40 of decision 1/CP.21, and subsequently referred to in Decision 8 of CMA.1, including on:

- (a) Financing for adaptation/Share of Proceeds (Article 6.2 and Article 6.4)
- (b) Avoiding double use for outside the Nationally Determined Contributions (NDC) for Article 6.4.
- (c) Ensuring rapid operationalization (Articles 6.2, 6.4 and 6.8)
- (d) Enabling ambition in Article 6 instruments.
- (e) Clean Development Mechanism (CDM) activity transition to Article 6.4 mechanism

2. This submission responds to item (c).

Ensuring rapid operationalization (Articles 6.2, 6.4 and 6.8)

3. New Zealand recognises the importance of reaching agreement on all matters relating to the Paris Agreement, including Article 6, as soon as possible. It is important that ambition and environmental integrity are front of mind in this process to ensure that Article 6 delivers effective emissions reductions, cooperation and adaptation financing.

4. Cooperation and collaboration are key to resolving outstanding negotiation issues, to operationalise a high integrity outcome for all aspects of Article 6 in a timely manner. It is important that Parties build on the collective progress already made on Article 6 issues and engage constructively, inclusively and in good faith despite the restrictions we all face. With this in mind, New Zealand is committed to working with Parties, including by virtual means, to reach agreement on guidance, rules, modalities and procedures for Article 6 of the Paris Agreement.

5. Cooperation between Parties envisaged under Article 6.2 and Article 6.8 can proceed regardless of decisions by Parties. Articles 6.2 and 6.8 remain important to encourage greater uptake of cooperative approaches, and for ensuring the scale and quality of this cooperation aligns with the potential contribution to ambition contemplated by the Paris Agreement. For Article 6.2, delivering this aligned scale and quality of cooperative approaches means producing guidance to support the transparency, accuracy, completeness, consistency and comparability of information from activities in relation to their contribution to NDCs, and so that corresponding adjustments can be made for all transfers of mitigation. For Article 6.8, the work programme should seek to encourage the uptake, and upscaling of non-market cooperation, including by supporting the development of non-market approaches in recognition of the key role of trade rules and practices.

6. New Zealand is involved in two non-market cooperative approaches: the Agreement on Climate Change, Trade and Sustainability (ACCTS), and engagement on trade and climate issues, including via likeminded groupings such as the Friends of Fossil Fuel Subsidy Reform. The ACCTS looks to bring together the interrelated elements of climate change, trade and sustainable development agendas and demonstrate how they can be mutually reinforcing, via negotiations with five other small, trade-dependent countries who believe trade measures and disciplines can contribute to addressing the urgent climate change crisis. Once ACCTS negotiations are concluded, additional parties will be encouraged to join. The Friends of Fossil Fuel Subsidy Reform is an informal cooperative approach of likeminded countries that campaigns for the World Trade Organisation (WTO) to consider fossil fuel subsidy reform (FFSR) within the trade architecture of the WTO, in support of mitigation efforts. New Zealand is leading the campaign for a renewed FFSR Ministerial Statement at the 12th WTO Ministerial Conference (MC12) in November. We look forward to sharing information about these cooperative approaches under the auspices of the Article 6.8 work programme.

7. It is important that discussions on both Articles 6.2 and 6.8 are informed by a view to supporting current and emerging cooperation to ensure environmental integrity, deliver ambitious outcomes, and encourage participation. In our view, the Article 6.8 work programme proposed by the third iteration Presidency text from COP 25 would support continual the development of non-market approaches. This work programme would encourage uptake of this type of cooperation, and the continual upscaling of ongoing non-market approaches to advance our collective ambition in mitigation and adaptation.

8. Unlike Articles 6.2 and 6.8, cooperation under Article 6.4 is wholly dependent on Parties reaching agreement on a number of matters. New Zealand is conscious of the important role the Article 6.4 mechanism will play in enabling cooperative action to reduce emissions, and we share the concern of many regarding the delay in reaching agreement on the Article 6.4 decision text. Nonetheless, New Zealand recognises agreement on decisions to support rapid operationalisation of the Article 6.4 mechanism must not come at the expense of the environmental integrity of the mechanism.

9. For the Article 6.4 mechanism to deliver emissions reductions in accordance with the goals of the Paris Agreement, it must embody strong environmental integrity standards, including ambitious baseline and additionality requirements. These requirements must be

determined independently of considerations on SBSTA's work on possible CDM project transition. In order to maintain environmental integrity, the appropriate sequence is to determine the requirements on a principled basis, and then to apply them. All projects that will deliver ambitious outcomes in accordance with the requisite requirements, should then be able to transition accordingly.

10. Coordinated decisions across and in regard to the relevant bodies (CMA, CMP, CDM Executive Board and Article 6.4 Supervisory Body), appropriately led by the CMA are needed to support rapid operationalization of Article 6.4. We have identified the necessary decisions for this process in the table in an annex to this submission (Annex 1).

11. New Zealand encourages further discussions on the ambition-related aspects of Article 6.4, and facilitation of coordinated decisions across bodies to rapidly and efficiently operationalise Article 6.4.

12. The operationalization of the reporting and review requirements for Article 6 could be usefully supported by timely decisions by Parties on a number of process and procedural elements of Article 6. This could include decisions by Parties tasking completion of non-contentious, procedural elements of the Article 6 process to appropriate bodies, which may be the Secretariat, a taskforce, or the Article 6.4 Supervisory body, as the issue requires. Examples are detailed below. We envisage the mandates for this work would be set by clear boundaries agreed by Parties, and outputs of this work would come back to Parties for a decision on adoption. New Zealand considers the role of the 6.4 Supervisory Body would be limited to supporting the reporting and review elements so far as they related exclusively to Article 6.4 requirements.

- (a) Decision to mandate the Secretariat or a taskforce as appropriate to develop templates for the initial report and annual information, and;
- (b) Decision to mandate the Article 6.4 Supervisory Body to support the development of templates by the Secretariat or a taskforce, by feeding in content for the initial report and annual information whereas the information relates exclusively to Article 6.4 requirements, and;
- (c) Decision that annual information should be provided with Parties' Greenhouse Gas Inventories, or;
Decision that annual information should be provided biennially, as part of the Biennial Transparency Report (BTR), reviewed through the Article 13 process accordingly, and;
- (d) Decision to direct the Secretariat to establish a training programme and ensure that the roster of experts can provide technical expert reviewers for Article 6 information, and;
- (e) Decision to direct the Secretariat to develop any necessary guidance for the Article 6 technical expert reviewers, including for the review of the initial report, and annual information if not provided through the BTR.

13. To facilitate the comparability of information provided by Parties according to paragraph 77(d)(iii), it would be useful for this additional information to be provided in a tabular format.

We have provided an example of such a table as an annex to this submission (Annex 2), which could serve as a basis for negotiations. Parties can advance with developing this tabular format based on the requirements set out in the text. New Zealand does not consider there is a need for Parties to sequence work on 77(d)(iii), or confer with the negotiations for Article 13.

Conclusion

14. Ambition and environmental integrity are key for the Paris Agreement to deliver on its goals. New Zealand will continue to work constructively and inclusively, including by virtual means, to reach agreement at COP 26 on rules for Article 6 which deliver environmental integrity and ambition.

Annex 1:

Decisions to operationalise Article 6.4 must take place in the CMA. The CMP will need to take corresponding decisions on CDM related matters, as appropriate. This process, and how the decisions of each respective body relate to each other could be usefully supported by the UNFCCC legal affairs division.

Objective	Decision needed by CMA	Decision needed by CMP
To create and mandate the Article 6.4 Supervisory Body	Procedural decision by Parties for the timely election of the Article 6.4 supervisory body and mandate provision of necessary resources to the mechanism.	
	Policy decision by Parties on the terms of reference of the Article 6.4 Supervisory Body. This includes in respect of any mandate given to feed content relating to Article 6.4 activities into the development of reporting and review templates including host Parties interests and terms of participation including capacity building support, crediting periods and their review, crediting approaches and baseline ambition.	
To provide the Article 6.4 Supervisory Body with resources	Procedural decision by Parties to adopt relevant and appropriate infrastructure from the Clean Development Mechanism for use in the Article 6.4 mechanism, including registry system design, provision for existing Designated Operational Entities, and prioritised assessment and revision of CDM methodologies	Procedural decision by CMP to instruct CDM Executive Board to cease operation other than to support the transition of projects and infrastructure to the Article 6.4 mechanism, and to make information available to the Article 6.4 Supervisory Body for the redeployment of CDM infrastructure.

	<p>against Article 6.4 criteria.</p> <p>Associated procedural recommendation to CMP to instruct the CDM Executive Board to make information available to the Article 6.4 Supervisory Body for the redeployment of CDM infrastructure.</p>	
	<p>Policy decision by Parties to instruct the Article 6.4 Supervisory Body to use residual funds from CDM Executive Board, and the administration of the Share of Proceeds from the CDM, Joint Implementation and International Emissions Trading to form and begin operation of the Article 6.4 Supervisory Body.</p> <p>Associated procedural decision by Parties to recommend the CMP to instruct the CDM Executive Board and to provide the funds held for the administration of the CDM and the administration funds held for the Share of Proceeds for Adaptation to the Article 6.4 Supervisory Body.</p>	<p>Procedural decision by Parties to adopt the CMA recommendation to instruct the CDM Executive Board to provide the funds held for the CDM Executive Board and administration funds for the Share of Proceeds for adaptation to the Article 6.4 Supervisory Body.</p>

<p>To encourage rapid uptake of 6.4 mechanism</p>	<p>Procedural decision by Parties to provide recommendation to CMP to instruct CDM Executive Board to contact project developers seeking to register eligible projects under the Article 6.4 mechanism to apply to the Article 6.4 Supervisory Body for assessment of methodologies and project approval.</p>	<p>Procedural decision by Parties to adopt the CMA recommendation to instruct CDM Executive Board to contact project developers seeking to register eligible projects under the Article 6.4 mechanism to apply to the Article 6.4 Supervisory Body for assessment of methodologies and project approval.</p>
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Annex 2:

Qualitative information on use of cooperative approaches to be provided in initial report and biennial transparency report. The table below focuses on GHG reporting only¹.

	First year of implementation period	Second year of implementation period	...
Total GHG emissions consistent with the coverage of NDC			
LULUCF contribution			
Annual addition for ITMOs transferred from NDC (tCO ₂ -eq)			
Qualitative information on how authorisation was provided for the ITMOs transferred from NDC, including the authorising parties			
Vintage of ITMOs transferred from NDC in implementation year (tCO ₂ -eq)			
Total addition for ITMOs transferred from NDC (tCO ₂ -eq)			
Annual subtraction for ITMOs used towards NDC (tCO ₂ -eq)			
Vintage of ITMOs used towards NDC (tCO ₂ -eq)			
Total subtraction for ITMOs used towards NDC (tCO ₂ -eq)			
Number of ITMOs acquired by year but not yet used towards NDC or other mitigation purpose (including CORSIA, OMGE) (tCO ₂ -eq)			
Number of ITMOs acquired by year and used for other mitigation purpose (including CORSIA, OMGE) (tCO ₂ -eq)			
Total GHG emissions adjusted on the basis of corresponding adjustments			
Cooperative approaches used			
Any other information			

¹Table 21 in Climate Change Expert Group Paper No.2020(1) provided the basis for drafting the table presented in this submission. Refer to: Marcia Rocha and Jane Ellis, 'Reporting progress towards Nationally Determined Contributions: exploring possible common tabular formats for the structured summary' *Climate Change Experts Group*, 10 May 2021, <https://www.oecd-ilibrary.org/docserver/a23de32d-en.pdf?expires=1620599079&id=id&accname=guest&checksum=EBC462E5C21D2FFC725F4E9797AA4AA8>.

