

# **SUBMISSION BY PARAGUAY ON BEHALF OF THE AILAC GROUP OF COUNTRIES COMPOSED BY CHILE, COLOMBIA, COSTA RICA, HONDURAS, GUATEMALA, PANAMA, PARAGUAY AND PERU**

## **AVOIDING DOUBLE USE FOR OUTSIDE THE NATIONALLY DETERMINED CONTRIBUTION – NDC- FOR ARTICLE 6.4**

### **Reference: SBSTA chair Invitation**

1. Following the invitation of SBSTA chair, the AILAC group of countries welcomes the opportunity to provide its views on how to avoid double use for outside the Nationally Determined Contribution – NDC- for Article 6.4.
2. AILAC is of the firm conviction that, for the sake of an appropriate implementation of the Paris Agreement and its ability to deliver on 1.5°C, we cannot allow anything but a robust and ambitious outcome for Article 6 that have the environmental integrity as its strong pillar. In this line, the design of guidance and rules for the implementation of Article 6 of the PA must generate the right incentives for progression in the ambition of NDCs to a level consistent with the long-term temperature goal and the need to achieve carbon neutrality by 2050.
3. Under Paris, all Parties have emissions reductions targets under NDCs. This is a fundamental difference through in the way that emissions reductions that were transferred and used between Parties under Kyoto regime were accounted for. Given this unequivocal new framework under Paris that requires that all Parties in light of their NDCs keep track of their emissions reductions and what they do with them, regardless of the cooperative approach, both, the host/transferred Party and the acquiring/using Party should be accountable of the ITMOs and emission reductions resulting from 6.4 activities. This is the only way to ensure environmental integrity for the system and not accounting for more emissions reductions that those actually achieved globally.
4. As one of the most important outcomes of Article 6 negotiations, a consistent accounting approach across the Article 6 instruments must be ensured in order to minimize the risk of double counting and guarantee that every Party involved in cooperative approaches (including the 6.4 mechanism) assumes its “accountability of the accounting” towards the achievement of the NDC. In addition, it is essential to bear in mind that Article 6 is an instrument aimed to support NDC’s ambition and, hence, accounting and transparency approaches for article 6 must be consistent with the NDCs accounting guidance adopted by decision 4/CMA.1 as well as the Modalities, Procedures and Guidelines of the Transparency Framework adopted by decision 18/CMA.1.
5. In this context, it is imperative to avoid all forms of double counting in accordance with the mandates given by the Articles 6.2 and 6.5 of the Paris Agreement. In addition, Decision 1/CP.21, paragraph 36 reinforces the need of using the corresponding adjustment as the most important tool to avoid double counting. In consequence, from AILAC’s view, corresponding adjustments must be applied to ALL ITMOs and their underlying reductions used towards the achievement of the NDC or for any international mitigation purpose regardless of where they come from (i.e. inside or outside the NDC). This includes the mitigation outcomes from the Article 6.4 mechanism that, once are internationally transferred, become an ITMO, and therefore, are subject to a corresponding adjustment.

6. In line with what was mentioned above, the new mechanism established by the article 6.4 must be treated also as a cooperative approach in as once an emission reduction from this mechanism is internationally first transferred it should be treated as an ITMO and, therefore, it is subject to a corresponding adjustment for the sake of a robust accounting. This also means that every Host Party should be accountable of the accounting of every ITMO reduction that comes from the article 6.4 mechanism when it is internationally transferred and used towards the achievement of other Party's NDC or other international mitigation purpose.
7. Moreover, regarding the avoidance of double use of the mitigation outcomes outside the NDC, it is of the utmost importance to precise that delimitation of NDC's scope must be in line with Decision 4/CMA.1, Annex I, paragraph 3, item a) in which coverage and scope of NDCs is referred to sectors, and gases. Any further interpretation could cause confusion and could impose an additional burden to Host Parties in terms of the information that should be provided to demonstrate that an activity is inside the scope of the NDC. Emissions reductions that are expected to be transferred should be additional by definition to the NDC mitigation efforts and should be differentiated from those that come from sectors and gases outside of the scope of the NDC.
8. Having clarified that, ensuring a consistent accounting approach across the article 6 also means that it is imperative to apply corresponding adjustments to all the 6.4 mitigation outcomes, even if they come from sectors and gases that are out of the scope of a Party's NDC. Allowing Parties with low capacity to implement activities outside the scope of their NDCs could help them to catalyse action and build capacity on mitigation but, at the same time, it is necessary that those Parties apply robust accounting rules to avoid perverse incentive to NDCs progression.

### ***Specific suggestions on negotiating text***

9. In line with the arguments provided above, AILAC favours the language included in paragraph 70 of the third version of the text drafted by the COP 25 Presidency in Madrid as follows: "A host Party shall apply a corresponding adjustment for all A6.4ERs first transferred consistent with decision X/CMA.2 (Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement)." In line with this, in AILAC's view a transition period for the application of corresponding adjustments would not be consistent with the imperative of having robust and coherent accounting requirements under Article 6.4.
10. It is of the utmost importance to bear in mind that implementation period of the NDCs is already started. There is no much time to achieve our individual and collective goals and keep us on track to not exceed the 1.5 C threshold. Implementing inconsistent accounting approaches for article 6 could increase the risk of overestimating emissions reductions achieved and, in consequence, put at risk the actual achievement of the NDCs from Parties that voluntarily use market instruments of the Article 6, and thus would undermine its environmental integrity.