

Submission by Egypt on behalf of the Arab Group On Enabling ambition in Article 6 instruments

The Arab Group hereby presents this submission in response to the encouragement made by the SBSTA Chair to facilitate Party discussions at the informal technical expert dialogues hosted by him during June sessional period. This informal submission is made with the understanding that it does not constitute a formal or official document for the UNFCCC negotiations, and is submitted without prejudice to such other submissions that may be made by the Arab Group. The Arab Group is of the view that the purpose of the technical dialogues is to provide the space for Parties to better understand their respective views, while acknowledging that it shall not prejudice or replace in-person sessions nor that they be considered negotiation meetings.

First of all, it is critical that once we arrive at a decision in Glasgow, we immediately begin implementing the various elements of Article 6. Hence, we need to ensure that 6.2, 6.4, and 6.8 are completed and operationalized in a parallel manner without advancing one against the other.

Before talking about ambition, we should define what we mean by the level of ambition and how it should be considered as the level of ambition differ from Annex I parties than Non Annex I parties according to the principles of CBDR-RC and equity.

With regard the topic we address on enabling ambition in Article 6 instruments, Article 6.1 clearly states, that participation in Article 6 is based on voluntary cooperation, helps parties in the implementation of their NDCs and allow for higher ambition in their mitigation and adaptation actions and to promote sustainable development and environmental integrity.

So ambition here is covering both adaptation and mitigation.

There are some overarching issues that need to be tackled in order to enable Article 6 to be operational first in order to enable for the ambition, including:

- **Inclusivity to accommodate the different types of NDCs, including those based on policies and measures, leaving no one behind**
- **Accommodate all metrics as determined by participating parties, including non-GHGs metrics.**
- Equal treatment between 6.2 & 6.4 in applying Share of Proceeds for the adaptation fund board as ambition covers both adaptation and mitigation. Equal treatment needs to be applied on OMGE as well.
- Transitional issues from CDM as in order to address ambition you should get the trust of people who would engage.
- Addressing the negative social and economic impacts arising from the operationalization of cooperative approaches.
- Having sustainable arrangements for Article 6.8.
- Last but not least, the provision of continuous support such as capacity building support to developing country parties, to be ready for the operationlization, as most of developing countries are lacking the required infrastructure and arrangements and capacities that can enable them from participating in Article 6. So successful operationalization doesn't only mean to have the guidance, rules, procedures finalized but also having the parties that can use and apply.

All these issues need to be finlaized and operationlized in any guidance to ensure that we are on the right track.

In addressing the guiding questions

Under Article 6.2:

Q1): What aspects of the reporting, review and accounting cycle can enable further ambition by Parties and are those aspects sufficiently robust in the draft Presidency texts?

- NDCs reflects the ambition of parties, and the use of cooperative approaches in achieving NDCs will contribute to that ambition since the NDCs will be progressive.
- We would like to highlight that the working only on reporting, review and accounting cycle without solving overarching issues mentioned will not ensure the successful operationalization of 6.2.
- The reporting, review and accounting cycle need to be developed and finalized under Article 6 without references to Para 77d or prejudging the outcomes under Article 6.
- To enable ambition, key aspects needed include:
 - o Having robust accounting and review for Article 6.2 to avoid double counting.
 - o Any reporting, review and accounting cycle needs to be inclusive accommodating the different types of NDCs, including those based on policies and measures,
 - o Accommodate all metrics, including non-CO2 metrics.
 - o **The guidance shall not infringe on the nationally-determined nature of NDCs, and should not impose any requirements or limitations on parties' NDCs, such as where a mitigation outcome is measured and transferred in tCO2 eq this doesn't mean that you have a requirement for quantification of all mitigation component of NDCs (as the quantification will be required only for that portion of the mitigation component in the NDC where ITMOs are generated and which requires Corresponding Adjustment), this is very important for us, and we still don't see it reflected in an operational manner in the presidency draft texts, so we need to see that reflected and operationalized in any guidance we get from Glasgow. (For example, we have it in version 3 of the presidency draft text para 11 under Section III corresponding adjustment sub-section B on application of corresponding adjustment but still not operationalized).**
- On review process: duplication of work with transparency BTRs needs to be avoided, as the main job of reporting and review should be done under Article 6 while indicating what are information that will be reported under transparency track. For example there should be a close coordination between Article 6 Review Team and the Technical Expert Review under Transparency for tracking progress in using ITMOs in achieving NDCs.
- Parties should also work on the reporting formats and review guidance, composition of review team, mode of work and outcomes as well as work on the elements of the infrastructure (registries, the Article 6 database and the centralized reporting platform).

Q2): How else can the guidance for cooperative approaches enable ambition?

- A corner stone to ensure the successful operationalization, is the condensed and continuous capacity building need to be provided to developing country parties on the application of these reporting formats, review and development of registries and dealing with the database and the centralized reporting platform.

- Avoidance of hot air is a key requirement to enable ambition, the description of the ITMO shall ensure that only real mitigation undertaken is eligible. The emission reductions need to be real, verified and additional.
- The impetus given for ambition in 6.4 shall be equally treated in 6.2.
- While Ambition is being spoken, Ambition in Article 6 cannot be alienated from the Ambition related to means of support, finance, technology transfer and capacity building. The Ambition here should also include Adaptation. The developed country shall take lead in demonstrating them.

So all of that is a package that needs to be completed before we can say that Article 6.2 is now ready to be operationalized with 6.4 & 6.8.

Under Article 6.4:

Q) What aspects of the mechanism and activity design need addressing as compared to the Presidency texts in order to enable further ambition in the mechanism, while also enabling broad participation?

- The rules, modalities and procedures for 6.4 mechanism need to be finalised and adopted in COP26. As per the last part of the question to enable broad participation, this requires inclusivity that allows all PA parties to participate in 6.4 mechanism bearing in mind that the design of the mechanism must create a framework that is conducive to incentivize and facilitate participation by public and private entities authorized by a Party and avoids creating additional obstacles to investments.
- The centrality of the Article 6.4 mechanism as designed in Paris should be preserved. Ambition in the mechanism could be ascertained by using conservative baselines, while at no point in time artificial discounting should be introduced in name of Ambition.
- Regarding aspects of the mechanism and activity design needed to enable ambition, this includes:
 - o Ensuring that the activity delivers real, measurable and long-term benefits related to climate change in accordance with decision 1/CP.21, paragraph 37(b).
 - o Finalize the baseline and additionality
 - o There should be also a positive list for projects and PoAs that are automatically additional.
- For baseline key aspects:
 - o We support having a menu based approach including a menu of options rather than hierarchical. We should avoid having any basis (such as top down hierarchical) that lead to limiting participation of parties or types of activities, as there is no one size fits all. Since the choices will be justified so it should be in a menu based approach.
 - o So in the draft versions we have menu of approaches to setting a baseline for calculating emission reductions, taking into account relevant national, regional or local: (option A version 1 of the presidency draft text)
 - (a) A performance-based approach, taking into account:
 - Technologies that represent an economically feasible course of action;
 - The emissions of activities providing similar outputs and/or services in similar social, economic, environmental and technological circumstances;
 - Barriers to investment;
 - (b) An approach based on 'Business as usual' emissions;
 - (c) An approach based on Historical emissions.
 - o In principle, in addition to any of the approaches suggested in A.6, it should include the three baseline approaches included in Marrakech accords (para 48 a, b, c of the CDM M&P

namely historical, economically attractive course of action taking into account barriers to investment and benchmark).

- Our understanding for the baseline for a project, it is the business as usual when using the available technology. The baseline for a project activity is the scenario that reasonably represents the anthropogenic emissions by sources of greenhouse gases that would occur in the absence of the proposed project activity.
 - We don't support having net mitigation (below business as usual), as this will lead to the loss of potential emission reductions which means investments, as the issue here is to ensure that any achieved emission reduction is a real and verified ER, then it can be monetized into 6.4 ERs.
 - The baseline should take into account relevant national policies and circumstances, however what policies would be considered in the baseline should be left to the host country that hosts the activity.
- For additionality key aspects:
- the project is additional if anthropogenic emissions of greenhouse gases by sources are reduced below those that would have occurred in the absence of the project activity.
 - There a difference between project baseline and NDCs, we can not mix them, as the projects may be inside or outside the scope of the NDCs.
 - Additionality doesn't mean to go beyond your NDCs, due to several reasons (including of the prohibitive barriers, conditionality of the NDC related to international carbon finance etc) , firstly, the 6.4 is a mechanism that can help parties to fulfill their NDCs, so how can we set a condition that you have to go beyond NDCs because the NDCs itself reflect the ambition. A requirement merely stating additionality is over and beyond cannot be a operational condition. Secondly, the 6.4 activities that may not be part of your NDCs as well. So there should be a distinction between NDCs and the project baseline.
 - In principle, For projects inside the NDC, the crediting should be for reductions beyond the policies and measures of the NDC. However, for projects outside the NDC, it is not linked in any manner to the NDC
 - Some parties may have a conditional part of their NDCs which is conditional with the provision of support, so achieving 6.4 units in this part should be considered as additional
- A very important aspect that need to be considered is Condensed and continuous support and Capacity building for host parties DNAs would be of utmost importance to ensure rapid operationaloization.

Under Article 6.8:

Q) How could the work programme for non-market approaches enable further ambition in NDCs?

- First: Having a sustainable governance structure like a task force to be established (nominating the members of this task force to proceed) to implement the framework and the work programme, addressing linkages between mitigation and adaptation, and matching them to the finance, technology and capacity-building needs of developing country Parties, as ambition is needed in the provided support to developing countries.

- Second: identifying the modalities of the work programme that may include workshops, meetings with public and private sector stakeholders, including technical experts, businesses, civil society organizations and financial institutions, and publication of the outcomes of such meetings; Submissions from Parties, observers and public and private sector stakeholders; Technical papers and synthesis reports prepared by the secretariat
- Thirdly, reporting on the progress and outcomes of the work programme to the CMA on the basis of information resulting from the implementation of the work programme activities by the A6.8 governance.