

**Submission by Bhutan on behalf of Least Developed Countries Group on Enabling ambition in
Article 6 instruments
2 June 2021**

The LDCs welcome the opportunity to provide to share views in response to the invitation extended by the Chair of the SBSTA, relating to **Enabling ambition in Article 6 instruments** and to the guiding questions presented as follows:

Before referring to the specific questions there are some key understandings on ambition that need to be resolved as the term is often misused.

We define ambition as a greater effort to reduce emissions.

With respect to Article 6, ambition can be increased or decreased depending on the rules we develop. While by no means perfect or complete, the San Jose Principles could be a good starting point for such rules.

Ambition can be increased if the rule for Article 6 allows an overall mitigation in global emissions. This means that all transactions under Art 6.2 and Art 6.4 are subject to a compulsory percentage cancellation of ITMOs or Art6ERs. The higher the percentage of cancellation the greater the ambition is achieved.

If there is no application of the concept of overall mitigation of global emissions then it is likely that the use of Article 6 will lead to a decrease in ambition. This is due to the fact that trading parties are likely to find the least cost option for tradeable units. This removes the incentive for highly polluting industries to find cost effective means of reducing their emissions. In this way Article 6 drives down the price of tradeable units and hence drives down incentives for renewable energy and energy efficient options.

The second key aspect of enhancing ambition is to ensure that there is no double counting in transactions under Art6.2 and Art 6.4. Double counting or poor accounting standards will result in a decrease in ambition.

Among others, this is particularly true with regard to the trading of units from outside NDCs which, if not subject to corresponding adjustments, would also serve to reduce ambition by encouraging parties to limit the scope of their NDCs, in direct opposition to the very mechanism at the heart of the Paris Agreement.

Critically, to meet the urgency in reducing global emissions we must ensure that Article 6.2 and 6.4 are used as a means to increase ambition and hence reduce emissions.

- **What aspects of the reporting, review and accounting cycle can enable further ambition by Parties and are those aspects sufficiently robust in the draft**

There are key steps that must be taken to ensure enhanced ambition in Art 6.2. From the outset it is worth noting that the 'presidency texts' represented a very compromising set of suggestions around certain issues and are not the LDC point of reference for negotiations.

It is important that reporting, reviewing and accounting of obligatory overall mitigation on global emissions is carried out on a regular basis. This means that all Parties must meet:

- the participation requirements
- provide a biennial transparency report
- communicate the ITMO metrics consistently
- provide annual information on ITMO creation, first transfer, acquisition, cancellation, use towards NDCs, **mandatory cancellation for overall mitigation in global emissions**, voluntary cancellation, transfer for share of proceeds to the secretariat for recording in the Article 6 data base
- reporting requirements that are currently prescribed in the decision

How else can the guidance for cooperative approaches enable ambition?

Ambition can be increased with respect to Art 6.2 and Art 6.4 if the market focusses on quality rather than quantity. To this end, there should be clear parity between the two mechanisms requirements, to avoid one becoming 'the easier option'. Standards should be set for what type of ITMOs and Art 6.4ERs can be transferred.

We have learned lessons from the Kyoto Protocol about problems associated with the and sector with respect to lack of permanence, difficulty in measurement, leakage and other factors. We need to ensure that only quality units derived from quality activities are included.

We must ensure that units that enter the accounting system of Article 6, such as those derived from CORSIA are also subject to provisions relating to overall mitigation in global emissions and a comparable, strict set of provisions to avoid double counting. One example of such a mechanism would be along the lines of 'no unit will be accepted into any non-party accounting if it has not been correspondingly adjusted for in accordance with the rules as set out by the CMA in its decisions.'

Article 6.4:

- **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?**

Similar provisions regarding contribution to NDCs, participation, reporting, double counting and mandatory application of overall mitigation in global emission should apply in Article 6.4.

There should be no insertion of Kyoto Protocol units into the accounting system of Article 6. A carry-over of Kyoto Protocol units will significantly reduce ambition, as has been discussed in recent research, where quantitative calculations show that this would reduce mitigation considerably.

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

With respect to Article 6.8 there are many options where non-market mechanisms can increase ambition. There are many policy options that could be developed that do not involve trading of units. At the base of these would be a cooperation to allow developing countries to enhance their adaptation and mitigation activities, with a focus on the needs of the countries themselves. These include such means as:

Feed in tariffs,

reductions in tariffs for the import of renewable energy technologies,

enhanced building standards to improve energy efficiency,

support funding to help developing countries (particularly Least Developed Countries) to introduce and deploy renewable energy and energy efficiency technology and to assist in the development of endogenous technologies that suit the circumstance of poorer countries.

Technological collaboration and policy capacity building could also be included, alongside institutional capacity to engage in article 6 mechanisms, transparency and to more effectively deliver on ambitious NDCs.

These are only a few examples. The institutional arrangements should ensure the flexibility alongside robustness of such NMA, so as to truly promote ambition where it is hardest to achieve.