

Submission of Views

Papua New Guinea on behalf of the Coalition for Rainforest Nations

Implementation of Article 6 of the Paris Agreement September, 2022

1. CONTEXT

In response to the invitation of the SBSTA at its 56th Session, the Coalition for Rainforest Nations (CfRN) submits its views and inputs on identified elements related to Article 6.2 and 6.4 of the Paris Agreement, with the expectation that these will be taken into account in the drafting of textual proposals.

2. OVERVIEW

As recently highlighted by the IPCC, *forestry, agriculture and land use* are critical elements toward achieving the Paris Agreement objective and are necessary to ensure that global temperatures remain well below the threshold of 1.5 degrees while achieving carbon neutrality.

In order to do so, *overall atmospheric integrity* must be preserved in the operationalization of the Article 6 to meet the Paris Agreement objective and comply with the urgent action to combat climate change as required by the science. This must be the overarching objective.

In addition, when operationalizing Article 6 Parties need to ensure that there is full transparency for all stakeholders on the characteristics, including the concrete contribution toward the 1.5-degree goal, of ITMOs that are being issued and used.

To ensure the transfer under Article 6.2 are implemented correctly and contribute to achieving the Paris Agreement goal, ONLY methodologies reviewed and approved under the two credit generating mechanisms of the Paris Agreement, specifically Article 5 and Article 6.4, should be accounted for under Article 6.2.

We acknowledge that CMA decision on Article 6.2 does not foresee any scope to review methodologies to ensure environmental integrity by exchanging ITMOs. Rather, the Parties repeatedly require 'consistency'.

Inconsistent methodologies will undermine carbon markets, NDCs, carbon accounting, the global stocktake and the goals of the Paris Agreement.

There are concerns around countries using unapproved methodologies for their NDCs. It will be very likely that national GHG inventories reveal that NDC objectives were unmet in the

end. All the while, what are in fact, useless ITMOs have been traded globally under Article 6.2.

To avoid this, a **robust and common methodological and accounting** system should be established so that all Parties may be assessed with consistency and equal level of environmental integrity.

All Parties should make use of common methodologies and metrics based on IPCC that produce comparable and consistent carbon estimations for use within NDCs and ITMOs via Article 5 and Article 6.4.

Consequently, all Parties will provide **consistent reporting** within national communications, BTRs and national GHG inventories.

3. ARTICLE 6.2

3.1 REVIEWS

The mandate of the Technical Review process under Article 6.2 is to assess the consistency of the information provided by the Parties on the cooperative approach (para 25 of Annex to the decision 2/CMA.3) and to prepare a report, and if applicable, any recommendation on how consistency can be improved (para 27 of Annex).

To ensure consistency, all methodologies presented under Article 6 must follow IPCC guidance and CMA decisions. Significant atmospheric integrity and equity issues could arise if Parties use methods not approved under the Paris Agreement and apply voluntary standards for GHG emissions reductions, removals, adaptation and OMGE.

The existing REDD+ Framework enshrined in the Paris Agreement sets out a rigorous and elaborated review guidance in decisions already agreed under the Convention. Once REDD+ results are issued and posted on the UNFCCC REDD+ Information Hub, these shall have the option to be traded under Article 6.2 subject to the avoidance of double counting, and any further review agreed under 6.2 when agreed by Parties.

The review under 6.2 is a qualitative review which addresses consistency and completeness. It will become quantitative also, if it accepts and not consider redundant what is already reviewed under Article 5. The Article 6.2 review will consider that REDD+ results and other credits:

1. are demonstrated in a national GHG inventory;
2. are coming from approved methodologies under the PA, either Art. 6.4 or Art. 5, to ensure consistency and comparability;
3. contribute to the achievement of the NDC,
4. have been accounted for accuracy under a national MRV system and assessed under the TA process and are correctly authorized, issued and adjusted, including the correct application of vintages and crediting periods;

5. are accurately reflected in the centralized accounting reporting platform

Beyond this, however, the Article 6 review does not have a mandate to review again the existing methodologies already agreed by all Parties under Article 5 related to REDD+ results in the context of their use as ITMOs.

The modalities and guidance for the review of REDD+ results are already agreed under Article 5 of the Paris Agreement. REDD+ credits issued under Article 5 will have been already assessed under COP approved modalities and guidance before they are eligible for Art. 6.2 review. Therefore, we see the Article 6.2 review of REDD+ results already assessed under Art. 5 as complementary, dealing with separate issues, and thus not discordant nor redundant with Art. 5. Under UNFCCC customary practice, the same information cannot be reviewed twice.

3.2 INFRASTRUCTURE

The Article 6.2 infrastructure consists principally of a Centralized Accounting and Reporting platform (CARP). The CARP shall contain 1) An NDC Registry provided and managed by the UNFCCC Secretariat and 2) the Article 6 database.

As indicated by the CMA decision on Article 6.2, each participating Party must submit its NDC information to the UNFCCC Secretariat to be tracked. Parties must also establish a national Registry to promote transparency, efficiency, trust and confidence on the use of the Paris Agreement mechanisms and fully capture corresponding adjustments.

The national Registry must have four key components:

- Technology: online user interface and data base behind the Registry
- Terms and Conditions: rules governing use of the Registry
- Operations: review of activity documents, support of users, interaction with regulators and oversight
- Reporting: providing transparent reporting on the lifecycle of authorized credits

The national registry must be able to track units through their lifecycle (units are recorded and serialized), track Authorization, First transfer, Transfer, Acquisition, retirement, Use towards NDCs, Authorization for use towards other international mitigation purposes and cancellation of ITMOs.

The CfrN has developed a National Registry system, that can be used by any Party, and is already operational. It records and tracks REDD+ units through the entire lifecycle. This can be applied to other credits generated under Article 6.4. Unique identifiers will track ITMOs and provide information on, at the minimum, the participating Party, vintage of underlying mitigation, activity type and sector(s).

The CFRN REDD.Plus platform is so designed that it can be easily expanded to other sectors once methodologies are agreed by the Parties (ITMO.com).

3.3 TABLES AND OUTLINES (REPORTING)

The design of tables and outlines should be consistent with methodologies and metrics approved under the Paris Agreement. Decision 2/CMA.3 Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement, Annex, 1 Chapter IV C, refers to ITMOs as measured in metric tonnes of carbon dioxide equivalent (t CO₂ eq.) in accordance with the methodologies and metrics assessed by the Intergovernmental Panel on Climate Change.

Therefore, to ensure atmospheric integrity and for the purpose of the global stock-take, the global carbon accounting system and comparable tables and outlines should reflect the tonnes of CO₂ equivalent metric. Any other information or metric that Parties may wish to include in tables and outlines, should be expressed in the form of additional notes.

3.4 SPECIAL CIRCUMSTANCES OF LDCs AND SIDS

We fully recognize and endorse the special circumstances of LDCs and SIDS. These countries did not contribute to the cause of global warming, but they are suffering the most, with the least resources to adapt. It is, therefore, imperative that the special circumstances of LDCs and SIDS are recognized and these countries are accorded special consideration in participation in the market mechanism.

Additional flexibility and support should be provided to developing countries, in particular LDCs and SIDS, to enhance capacity on GHG emissions reporting based on a step-wise approach, as well as on preparation for exchanging ITMOs under Article 6.2.

3.5 GUIDANCE ON CORRESPONDING ADJUSTMENTS

While [corresponding] adjustments are required by each Party making use of Article 6 to ensure consistency, transparency and correct accounting as a general rule, there are complicating factors related to implementation.

- i) **Timing:** There may be multi-year time-lags between the adjustment by an issuing Party and the need for a corresponding adjustment by the receiving Party. While this flexibility should be permitted, it adds complexity to the Independent Review process and brings risk to atmospheric integrity. In fact, it may occur that one Party acquires ITMOs but in the end does not need them for NDC compliance and never ‘correspondingly’ adjusts. Therefore, transparency around ITMOs and their usage at the end of each NDC cycle is required.
- ii) **Other Purposes:** When a Party opts to authorize and adjust for credits used for ‘other international purposes’, there will likely never be a ‘corresponding’ adjustment’. For example if authorization is given to companies to purchase for their net zero targets. Thus, the Independent Review would focus only on consistency and adjustments related to the authorizing Party.

3.6 STANDARDS

To ensure consistency related to NDC reporting, carbon estimates, carbon accounting, and the global stock take, all methodological standards should be approved under Articles 5 and 6.4.

As is widely recognized, independent carbon standards (usually referred to as voluntary market) do not meet the required atmospheric integrity requirements and financial transparency principles. Further, independent standards being applied outside the Paris Agreement may lead to the risk of double counting of mitigation outcomes and thus contravene the spirit and principles behind the new climate regime. Additionally, most voluntary standards are predominantly based on the concept of 'avoidance' and are therefore incompatible with ITMOs under the Paris Agreement.

Use of voluntary standards not approved under the Paris Agreement will compromise the review of NDCs, transparency reporting, carbon accounting, stock-taking, etc. In spite of the claimed 'integrity' measures, voluntary standards carry meaningful risk of inflating carbon markets and undermining the credibility of the whole international climate regime.

3.7 AUTHORIZATION

As indicated in Article 6.3 of the Paris Agreement, Parties participating in the Article 6.2 mechanism must authorize each and every ITMO.

Each Party should transparently develop a national process for authorization and accordingly advise domestic stakeholders and the UNFCCC. Authorization by countries should be undertaken by a competent national authority (for example, the UNFCCC focal point or in the context of Article 5, the national REDD+ focal point) or by the responsible Minister.

3.8 EMISSIONS AVOIDANCE

We acknowledge a few Parties offering arguments for the inclusion of avoidance as an eligible activity for generating ITMOs and participation in the market mechanism, namely, the avoidance of projected emissions; the avoidance of emissions that may occur at some point in the future, risk avoidance, etc. However, the concept of avoidance is not defined in the Paris Agreement, it does not reconcile with the Paris Agreement global objective (1.5) and the ambition mechanism created by the Paris Agreement (global stocktake), nor is it addressed in any subsequent implementing COP decision. As a result, we agree with others that such a concept cannot be supported as qualifying for ITMOs.

With respect with conservation enhancement activities both conservation and enhancement of forest carbon stocks are already included under the REDD+ mechanism (art.5 PA).

4. ARTICLE 6.4

4.1 METHODOLOGIES

We note that the Supervisory Body will be required to develop and approve methodologies for Article 6.4 project activities.

On the basis of the CDM experience, we highlight that sectoral and national baselines are critical for atmospheric integrity, and wish to point out that REDD+ already requires the establishment of a coordinated baseline at the national level for forest sector. The same ideal approach should be adopted for other sectors.

In particular:

- CDM methodologies should be updated under sectoral or national baselines.
- It has already been agreed in Paragraph 37 that baselines shall be established at the highest possible level of aggregation in the relevant sector of the host Party. We must highlight that under the REDD+ Mechanism, countries are already required to implement at a national scale, thereby precluding any sub-scale work in the forest sector under Article 6.4.
- Any new standard and methodology must undergo the approval process under the Article 6.4 rules in order to qualify as ITMOs under Article 6.2.
- We suggest that Parties provide such guidance to the Supervisory Body.

4.2 FOREST CONSERVATION, REMOVALS AND ADDITIONALITY

Forest conservation and removals

It is without doubt that forest conservation and the sustainable management of forests result in removal of CO₂ from the atmosphere. As indicated by the IPCC AR6 report, “the deployment of carbon dioxide removal to counterbalance hard-to-abate residual emissions is unavoidable if net zero CO₂ or GHG emissions are to be achieved”. The world cannot achieve net zero nor the Paris Agreement goal, without the use of removals, and REDD+ is key to achieve that. We therefore advocate the need to focus on removals rather than avoidance of emissions under the Article 6 mechanisms.

Conservation and additionality

Under Article 6, paragraph 2, of the Paris Agreement, an ITMO must be additional. CMA decision on Article 6.2 does not define additionality, that is addressed by the CMA decision under paragraph 38 of Annex Chapter V B of Art 6.4. Therefore, we refer to the 6.4 definition in interpreting additionality under 6.2.

Additionality is defined as an activity that would not have occurred in the absence of the incentives from the mechanism.

The REDD+ Mechanism is designed as a ‘voluntary’ instrument. Developing country parties have opted for the REDD+ Mechanism with the express intention of receiving financial incentives for their results of reducing emissions or managing forests to maintain or enhance

removals. Opting to do so carries many costs. The developing countries opting to implement the REDD+ mechanism had to set up national robust monitoring systems, national forest reference levels and systems to address social and environmental safeguards information systems. In doing so, they were obliged to divert scarce financial, human and technical resources from other important sectors of their economies to implement forest conservation. This was done at the expense of much needed investment in other important social and economic sectors. As a result of national decisions to conserve and protect their own ecosystems, forests of developing countries were able to remove huge quantities of CO₂ eq annually. Such removals are therefore additional - they would not have occurred in the absence of deliberate action by Parties to conserve forests by diverting additional resources in forest sector from other equally important development sectors. Rainforest nations which take deliberate action to conserve their national forests should be financially incentivized for these mitigation efforts at the cost of other important development sectors. Based on the rules established under the Paris Agreement, GHG emissions reductions and removals generated by rainforest nations through REDD+ are accurate and rigorous.

Further, converting land into forest conservation activity takes place because a financial incentive is expected through the trading of ITMO's generated by resulting removals. It is the expectation of a financial return from trading of removal credits that underlies the decision by a Party to practice conservation. Therefore, such conservation activity meets the definition of additionality also, and perfectly.

Finally, any decision under Article 6 must not prejudice what is already agreed under Article 5 of the Paris Agreement; and any Party engaging in any activity under Article 5 of the Paris Agreement must follow the same rules and processes agreed for developing countries under paragraph 2 of Article 5.

4.3 ELIGIBILITY PRE-2020 REDD+ CREDITS

Even though REDD+ under Article 5 is part of the Paris Agreement, there is no recognition of early action for pre-2020 REDD+ activities. It is unacceptable that post-2013 credits for CDM which were not subject to comparably robust accounting rules for environmental integrity as for REDD+ RBPs, are now eligible to be marketed. Conversely, REDD+ results post-2015 which were obtained in full compliance with COP-approved rules, modalities and procedures are not allowed to be part of the market. This constitutes an openly skewed and unduly favourable, partial approach. It is unjust and cannot be accepted.

CDM credits are included in a Protocol that has outlived its mandatory life and is currently not in operation. On the contrary, the results generated under Article 5 of the Paris Agreement are fully integrated in the new climate regime.

CfRN will continue working with all Parties on the various items to complete all rules by COP27 in Egypt.

4.4 SHARE OF PROCEEDS

Both under the UNFCCC and the Paris Agreement, adaptation funding has to flow from developed countries to developing countries. The SOP decision violates the Paris Agreement in that it requires a flow of funds from developing countries to developing countries. This approach, being violative of the Paris Agreement, also is likely to undermine the creation of an adequate level of funding for ever-growing adaptation needs of the developing countries.

We believe a new adaptation mechanism should be created to generate adequate and predictable funding for adaptation from developed country Parties.

4.5 RULES OF PROCEDURE

On the elaboration of its rules of procedure, any conflict of interest must be avoided as identified in the Paris Agreement. For example, members of the Supervisory Body should be free of any potential conflict of interest and not participate in any other body for standards that are not consistent with the Paris Agreement principles and rules. Integrity in the selection of the Members of the Supervisory Body must not only be adhered to, but should be transparently demonstrated as well.