



VIEWS OF ARGENTINA, BRAZIL AND URUGUAY (ABU) ON THE GUIDANCE ON THE MECHANISM ESTABLISHED BY ARTICLE 6, PARAGRAPH 4, OF THE PARIS AGREEMENT

30/05/2023

1. The governments of Argentina, Brazil and Uruguay (ABU) welcome the opportunity to express their views in the context of the call for submissions issued by Decision 7/CMA.4, para. 19, which reads " Invites Parties and admitted observer organizations to submit, via the submission portal (...), their views on activities involving removals, including appropriate monitoring, reporting, accounting for removals and crediting periods, addressing reversals, avoidance of leakage, and avoidance of other negative environmental and social impacts, in addition to the activities referred to in chapter V of the rules, modalities and procedures".
2. Additionally referring to paras. 20-22 of Decision 7/CMA. 4, ABU would find it useful that the Supervisory Body sends, as an attachment to the summary text and the recommendations at hand, the latest version of the information note containing the fundamentals and detailed explanations for the aforementioned recommendations, as appropriate. This would help contextualize future deliberations.
3. ABU wishes to present the following preliminary comments, largely based on the contents of the last version of the informative note circulated by the SB (version 3.0).

REMOVALS AND TREATMENT OF NON-PERMANENCE RISK

4. It is important to strengthen the principle that the climate benefit generated by removals should not be overshadowed by the risk of non-permanence, i.e. the risk that the carbon removed through such projects returns to the atmosphere for any reason, generating the eventual loss of removal ballast. The informative note circulated by the SB presents good examples of how to reconcile the need to stimulate removals with the principle of environmental integrity, especially through equivalence methods based on temporal criteria, discount rates and the factor of atmospheric CO₂ decay, according to IPCC references.
5. In the experience of the Clean Development Mechanism (CDM), the solution to the challenge of non-permanence was based on the issuance of temporary credits of shorter or longer term (tCERs or ICERs, respectively temporary Certified Emission Reductions and long-term Certified Emissions Reductions). In spite of its technical value, the complexity of credit temporality management has generated precedents for several countries and market agents to restrict the use of these units, through barriers to market access, often motivated by political reasons. As a result, there was low market liquidity and disincentives for project development.



6. In the modalities and procedures approved at COP26 (Decision 3/CMA3), there was no definition of the specific criteria for treating the risk of non-permanence under the Paris Agreement Article 6 rules. The approaches considered by the SB in its informative note presented each of the possibilities with both positive and negative aspects.
7. Given the distinct applicabilities of each option, it would be adequate to evaluate the possibility of the three approaches remaining available as options. In this approach, each individual project could choose an option to apply to its specific case. Designated National Authorities would also be free to restrict the application of any number of them to projects carried out in their national territory.
8. Some aspects related to each of the options may help to justify the possibility of allowing the choice at a project level, with particular focus on two approaches: tonne-year crediting and tonne-based credit.

i) Tonne-year approach

9. This approach relates the benefit of removals directly to the effect on temperature, which is fundamental in the context of climate change. It will be important to clarify, at the project level, how the application of conversion factors will work (temperature effect and discount rate at economic level).
10. In this system, the amount of A6.4ER is equal to the net carbon stocks generated multiplied (discounted) by a “crediting factor”, defined below:

Removal factor [is a] multiplicative factor applied to 1 tonne of CO₂ removed in order to get the number of A6.4ER. The value of the factor depends upon the time horizon, the holding period of the carbon stocks achieved and the discount rate applied for valuation of future mitigation at the present time. The factors are derived from the equivalence of marginal cumulative radiative forcing created by a 1 tCO₂ pulse emission.

11. The informative paper by the SB argues that there is no need for additional criteria for the treatment of non-permanence risk, as this is done by applying the factor. In our view, for this assertion to remain accurate, the method of determining the “removal factor” must be clearly specified.

ii) Tonne-based approach

12. This approach requires the use of additional mechanisms to be discussed and agreed in order to guarantee permanence. It tends to have higher transaction costs, due to the need to ensure adequate treatment of the risk of non-permanence, but it can allow for greater leverage of projects. Among the three approaches, it is the most complex, but it can also be useful, provided adjustments are made.

TEMPORAL CRITERIA FOR ELEGIBILITY



13. The CDM rules established the date of 12/31/1989 as limit for there to have been some type of forest suppression in an area to be reforested by a project. Furthermore, there was no distinction between planted and native forests, which inadequately restricted the use of land. Our suggestion is that a simple criterion be adopted, whose restriction should be focused on the absence of native forests 10 years before the project.

TRANSITION OF CDM METHODOLOGIES AND PROJECTS TO ARTICLE 6.4

14. It is urgent that the specific rules for the transition of methodologies and projects are defined. Furthermore, it is essential that there is a solution for a regulatory gap related to the transition of forestry project activities, as defined by COP27, which provided a mandate for the CDM Executive Board.
15. Criteria for transitioning and taking advantage of CDM methodologies have not been regulated in Glasgow. We understand that it is logical to build upon existing methodologies, with the necessary adjustments and adaptations due to the new mechanism, in view of the high level of effort and global legitimacy enabled by the multilateral regime over the last 20 years.
16. As decided at COP26, there is a possibility that CDM projects enter into the transition to Article 6.4, provided that, among other aspects, the host country requests the transition by the end of 2023. Clarity on the matter is essential for some on-going projects involving removals worldwide.

BASELINE FOR FORESTRY PROJECTS

17. Specific criteria for determining the baseline of forestry projects must be defined, as the general baseline criteria defined under the guidance for article 6, paragraph 4 do not apply to the forestry context. In the modalities and procedures approved at COP26 (Decision 3/CMA3), the definition of the baseline, contained in paragraph 36 of the referred decision, contemplates alternatives that do not seem fit for the purpose at hand, with the possible exception of the “historical approach (c), as seen below:

36. Each mechanism methodology shall require the application of one of the approach(es) below to setting the baseline, while taking into account any guidance by the Supervisory Body, and with justification for the appropriateness of the choices, including information on how the proposed baseline approach is consistent with paragraphs 33 and 35 above and recognizing that a host Party may determine a more ambitious level at its discretion: A performance-based approach, taking into account: (i) Best available technologies that represent an economically feasible and environmentally sound course of action, where appropriate; (ii) An ambitious benchmark approach where the baseline is set at least at the average emission level of the best performing comparable activities providing similar outputs and services in a defined scope in similar social, economic, environmental and



technological circumstances; (iii) An approach based on existing actual or historical emissions, adjusted downwards to ensure alignment with paragraph 33 above.

18. In order to address such gaps, we suggest that specific definitions be elaborated for baseline and for additionality in the case of forestry activities. It is worth remembering that the same logic occurred in the regulation of the CDM. In the deliberation regarding the modalities and procedures, a consensus was reached on the definition of baseline and additionality in general and, in the subsequent COPs and CMPs, specific modalities and procedures for A/R projects, including definitions for additionality and baseline were defined, in Decision 19/CP.9, para. 22:

22. In choosing a baseline methodology for an afforestation or reforestation project activity under the CDM, project participants shall select from among the following approaches the one deemed most appropriate for the project activity, taking into account any guidance by the Executive Board, and justify the appropriateness of their choice:

(a) Existing or historical, as applicable, changes in carbon stocks in the carbon pools within the project boundary; (b) Changes in carbon stocks in the carbon pools within the project boundary from a land use that represents an economically attractive course of action, taking into account barriers to investment; (c) Changes in carbon stock in the pools within the project boundary from the most likely land use at the time the project starts.

19. In our view, the above parameters provide an adequate reference to the future regulation to be applied to forestry projects.

ACCOUNTING FOR REMOVALS

20. Accounting for GHG removal activities must be based on robust science, clear methodologies, and definitions, and be consistent with the guidelines adopted by the Intergovernmental Panel on Climate Change (IPCC) or decisions adopted by the Convention, the CMP and the CMA.

21. However, accounting for GHG removal at the project level may differ from the methodological approaches used at the national level. This may result in accounting issues, including double counting and leakage of removals, when accounting for these removals in National GHG Inventories. IPCC 2019 Refinement provide some guidance on how to improve consistency when using IPCC guidance at the project/activity level. However, additional guidance is required from the Supervisory Body to align the use of IPCC Guidelines with Article 6.4. methodologies.

22. Removals activities, included in the information note as Land-based ecosystem reservoirs (i.e. Afforestation/Reforestation and forest restoration, Revegetation, Improved forest management, Wetland restoration) overlap with some REDD+ activities defined under decision 1/CP.16, paragraph 70. This overlap may result in double counting of removals if the activities are not clearly defined.

23. Consistency shall be assured between Article 6.4 removal activities and REDD+ activities defined under decision 1/CP.16, paragraph 70. in terms of definitions, and methodological



approaches to account for removals. Minimum criteria and methodological consistency is necessary to align, implement and monitor REDD+ activities at different scales. Guidance from the Supervisory Body is needed on how to treat this issue to avoid overlaps and double counting of removals.

SOCIAL AND ENVIRONMENTAL IMPACTS

24. While it strives to ensure environmental integrity in all the scope of international climate action, the regime must not endorse inadequate protectionist measures in relation to land use, anchored on baseless causal relations between food production and deforestation. As the principles of sustainable development must be applied to the local context, we suggest that national regulations be respected (which already result from the domestic debate on possible trade-offs on land use) and, in addition, that the principle of “no net harm” be observed. It states that, as a rule, a project should not worsen the context of sustainable development in which it is inserted, but it should not have additional obligations or costs in the sense of generating improvements in other thematic areas or in relation to potential trade-offs already addressed by national laws and principles.

FINAL CONSIDERATIONS

25. ABU recognizes the fundamental importance of seeking to ensure the highest possible degree of integrity in activities and projects carried out under article 6, paragraph 4. However, ABU notes with concern that similar discussions on the corresponding application of methodological criteria to address emission removals are not being held under article 6, paragraph 2, particularly with regard to possible cooperation modalities that find direct correspondence and could happen under either approach. ABU understands that the specific definitions on Article 6, paragraph 4 should also cover, symmetrically and as applicable, the criteria for activities and programs under Article 6, paragraph 2, including with regard to appropriate monitoring, reporting, accounting and crediting periods, addressing reversals, avoidance of leakage, and avoidance of other negative environmental and social impacts, among others. The purpose of such an exercise would be to avoid creating competing systems within the Paris Agreement - one of which would have adequate devices for environmental integrity, while the other one would not.