



ALLIANCE OF SMALL ISLAND STATES

SUBMISSION

SUBMISSION BY SAMOA ON BEHALF OF THE ALLIANCE OF SMALL ISLAND STATES ON PARIS AGREEMENT ARTICLES 6.2 AND 6.4

MANDATE(S)

Matters relating to cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement, decision 6/CMA.4, paras. 15 and 17.

Guidance on the mechanism established by Article 6, paragraph 4 of the Paris Agreement, decision 7/CMA.4, paras. 9-10, 19.

I. Introduction / AOSIS aims

Long-standing priority aims for AOSIS include:

- providing **centralized oversight** over all units generated under the UNFCCC and transferred for recognition at the international level toward achievement of NDCs;
- ensuring that use of market-based mechanisms **does not erode the environmental integrity** of Parties' NDCs, individually or in aggregate;
- establishing a **common international accounting framework** to ensure no double counting or claiming of reductions takes place, as well as to ensure transparency;
- ensuring that Article 6 delivers a **substantial overall mitigation in global emissions**
- ensuring that use of Article 6 tools is **only supplementary** to domestic mitigation efforts and does not replace them, keeping Article 4.2 in mind;
- directing a **substantial share of proceeds** to support the adaptation needs of particularly vulnerable developing country Parties;
- promoting **sustainable development**;
- creating opportunities and **positive incentives** to support mitigation ambition, while **avoiding incentives that run contrary to the principles and goals of the Paris Agreement**.

Pledged emission reductions under the Paris Agreement remain insufficiently ambitious to achieve a 1.5C limitation in global temperature increase. In this context, Article 6 needs to be used as a tool to increase mitigation ambition and generate additional resources for adaptation. Achieving a 1.5C limit on global temperature increases is an existential issue for many AOSIS member countries.

II. SOP and OMGE

AOSIS would like to see SOP and OMGE normalized as tools for increasing adaptation and mitigation ambition across both Article 6.4 and Article 6.2, as well as across the voluntary carbon market (see [AOSIS and LDC letter to the IC-VCM](#) calling for application of SOP and OMGE to the voluntary carbon market).

Under Article 6.4, in Glasgow, Parties to the Paris Agreement adopted a **mandatory** 5% set aside of issued A6.4ERs toward a share of proceeds (SOP) under Article 6.4 at the time of issuance, and a **mandatory** 2% cancellation rate for the delivery of an overall mitigation in global emissions (OMGE) at the time of issuance, with corresponding adjustments for authorized A6.4ERs.

Under Article 6.2, Parties and stakeholders using cooperative approaches have also been “**strongly encouraged**” to commit to contribute resources for adaptation in particular to the Adaptation Fund, and “**strongly encouraged**” to cancel ITMOs that are not counted towards any Party’s NDC or for other international mitigation purposes to deliver an OMGE, and to report on these contributions and cancellations:

VII. Ambition in mitigation and adaptation actions

37. Participating Parties and stakeholders using cooperative approaches are strongly encouraged to commit to contribute resources for adaptation in particular through contributions to the Adaptation Fund, and to take into account the delivery of resources under Article 6, paragraph 4, to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.

38. Each participating Party shall report as part of their reporting in accordance with chapter IV.C above (Regular information) on any contributions made pursuant to paragraph 37 above.

39. Participating Parties and stakeholders are strongly encouraged to cancel ITMOs that are not counted towards any Party’s NDC or for other international mitigation purposes, to deliver an overall mitigation in global emissions, and to take into account the delivery of overall mitigation in global emissions under the mechanism established by Article 6, paragraph 4.

40. Each participating Party shall report as part of their reporting in accordance with chapter IV.C above (Regular information) on any delivery of overall mitigation in global emissions related to its participation in cooperative approaches.

Where Parties and stakeholders (for example, entities or linked external registries) respond positively to this encouragement, Article 6 guidance should set out clearly how they can most consistently and transparently report on these elements and be recognized for these contributions.

Voluntary cancellations for OMGE need to be distinguished in reporting from other voluntary cancellations. Voluntary cancellations might be made for many reasons (e.g., administrative purposes, corrections), so voluntary cancellations of ITMOs for OMGE must be reported separately from other cancellations and other voluntary cancellations. **A broad reference to paragraph 20(a) is not sufficient** in the relevant section of the guidance decision, or sufficient in the AEF table, to indicate to Parties how to report this sub-category of voluntary cancellations. Sub-categories or sub-actions of voluntary cancellations would need to be identified clearly, with cancellations reported in these sub-categories, so that these cancellations can be properly reported into the Article 6 database.

This specificity is needed to assist the secretariat and reviewers with the **consistency checks** necessary to ensure that these voluntary cancellations are backed with corresponding adjustments and that there has been no

double counting, as under paragraph 38, Parties and stakeholders are “strongly encouraged to cancel ITMOs that are not counted towards any Party’s NDC or for other international mitigation purposes, to deliver an overall mitigation in global emissions.”

It is important that the voluntary contributions of ITMOs for adaptation and voluntary cancellations of ITMOs for OMGE, pursuant to 2/CMA.3 paras 37-40, **be visible in the AEF tables, as distinct action types in drop down menus paired with explanatory footnotes, and in distinct columns** into which Parties can enter relevant volumes voluntarily contributed for adaptation or voluntarily cancelled for OMGE under 2/CMA.3, paras 37-40. Guidance will need to clarify that these transfers and cancellation are “**first transferred**” for purposes of 2/CMA.3, para. 2, paras 37-40 such that the necessary related corresponding adjustment is made.

AOSIS recalls that **paragraph 70** of decision 3/CMA.3 also allows Parties, activity participants and stakeholders to **request the voluntary cancellation of A6.4ERs** that have been correspondingly adjusted in the mechanism registry. This volume should also be tracked.

AOSIS additionally notes that contributions of adaptation resources may also be made in other forms (e.g., monetary contributions to the Adaptation Fund), and in this event it will also be important to capture and give profile to these contributions.

Those Participating parties and stakeholders that respond to the strong encouragement to contribute resources for adaptation in paragraph 37, and those that respond to the strong encouragement to cancel adjusted ITMOs to deliver OMGE under paragraph 39, **deserve recognition**, through visible information in the annual AEF tables, and through the regular information required under 2/CMA.3, paragraphs 21(j), 21(k), 38 and 40.

Quantitative information on these voluntary efforts should also be brought together in a table with Article 6.4 quantitative information on SOP and OMGE, aggregated, and be made public.

Greater clarity on these transfers and associated corresponding adjustments will facilitate the population of **draft reports** by the secretariat.

The Parties may wish to request the Adaptation Fund commence consideration of how best to monetize contributions of units received under 2/CMA.3, paragraph 37.

III. International registry accounts

Many developing country Parties intend to use the international registry to support their registry needs and their reporting efforts, including through the automatic population of reporting tables.

The international registry should have within it a **designated account (similar to Party's account)** for the Adaptation Fund, to receive transferred units pursuant to 2/CMA.3, para 37, recognizing that Parties may also wish to make contributions to the Adaptation Fund linked to their carbon market transactions at the same or even greater scale to those required under Article 6.4. Article 6.2 guidance would provide that transfers to this account constitute first transfers for purposes of 2/CMA.3, para. 2, and further note that transfers out of this designated account by the Adaptation Fund in connection with monetization do not constitute a further first international transfer.

It may also be helpful for the international registry to establish a **distinct cancellation account for OMGE** to reflect cancellations of ITMOs from Parties and stakeholders responding to the strong encouragement under decision 2/CMA.3, para. 39. Guidance would clarify that initial transfers to this account constitute “first transfers” for purposes of decision 2/CMA.3 para 2.

IV. Common nomenclature – recognition of cooperative approaches that contribute to SOP and OMGE

Under 2/CMA.3, para. 18, initial reports for each Party are to “(i) Describe how each cooperative approach will... (v) Contribute resources for adaptation pursuant to chapter VII below (Ambition in mitigation and adaptation actions), if applicable; (vi) Deliver an overall mitigation in global emissions pursuant to chapter VII below (Ambition in mitigate and adaptation actions), if applicable”.

Where a given cooperative approach will voluntarily contribute to SOP and/or OMGE, Parties and stakeholders should have the option to include a reference to these elements in specific information attributes pertaining to the agreed electronic format, through use of a numbering or lettering convention established in the common nomenclature. Providing a common nomenclature to reference these elements will enhance transparency, and give visibility and recognition to these attributes of cooperative approaches if this is desired, and assist the secretariat and review teams in checking that associated corresponding adjustments have been picked up for reporting.

V. Common nomenclature - distinction between emission reductions and removals

The common nomenclature for Article 6 mitigation outcomes used for A6.4ERs and ITMOs should clearly distinguish between those activities and outcomes that represent emission reductions and those that represent removals. The Secretariat should be requested to operationalize this distinction in the system without delay, recognizing that certain activities might be mixed and require stopgap labelling until further guidance can be provided.

IPCC scenarios consistent with a 1.5C limit require the global community to achieve **net zero CO2 emissions by 2050**. Parties will need to move rapidly to reduce emissions while at the same time ramping up removals to address residual emissions in hard to abate sectors. Dividing Article 6 activities into emission reductions and removals will help track global progress toward net zero goals and help facilitate Parties in meeting their NDC targets.

In addition, as Parties move to economy-wide NDCs, and further elaborate their LT-LEDS, more Parties may wish to elaborate distinct targets within their NDCs for emission reductions and for removals, as they work through pathways to deliver their overall goals... Creating this distinction within Article 6 will be helpful as these Parties refine their plans and objectives and strive to meet their goals.

VI. Reversal risk and categorization for Article 6.4

Reversal risk is an issue of great concern for AOSIS, as impermanent emission reductions threaten the environmental integrity of the Paris Agreement and achievement of the 1.5°C temperature limitation goal.

The common nomenclature for authorized A6.4ERs should identify whether the underlying activity carries an associated risk of reversal (e.g., RR), and categorize this risk over climate-relevant timeframes, in a small number of categories (e.g., RR-1, RR-2, RR-3). A work programme under Article 6.4, which relies on the IPCC's best available science and peer-reviewed literature, should be mandated to progress this effort.

For transparency, as a suggestion, a designation such as "RR" could denote that A6.4ERs and/or underlying activities resulting from emission removals carry with them a certain reversal risk. This risk would obviously vary depending on the type of removal activity. Further designations over time could be developed by the A6.4SB clarifying activity type and permanence category / reversal risk category.

In AOSIS's view, activities with a high risk of reversal should not be accepted for registration under Article 6.4, for reasons of environmental integrity.

We strongly encourage Article 6.2 activities to follow a similar practice.

VII. Emissions avoidance

Regarding emissions avoidance and conservation enhancement activities, referenced in decision 7/CMA.4, para 9(a), AOSIS believes we need to remain focused on addressing emissions and removals under Article 6.4.

VIII. Timing of authorization; revocation – Article 6.4 and Article 6.2

AOSIS is of the view that once ITMOs have been authorized under Article 6.4 or 6.2, this authorization should not be revoked, to ensure the stability and credibility of the market and to avoid impacting SOP and OMGE.

If difficulties arise with a given project activity under Article 6.4 mechanism, a revised ITMO authorization statement can be issued to impact mitigation outcomes to be subsequently issued as A6.4ERs.

AOSIS is further of the view that the authorization statements required under Decision 3/CMA3, Annex, paragraph 42 should come in at the **earliest possible time** – at approval or latest by the time of registration. The host Party will need to know this information to provide the information requested by paragraph 40(c) at the time of approval – how the activity relates to the implementation of the host Party's NDC and how the expected emission reductions or removals contribute to the host Party's NDC and the purposes referred to in Article 6.1.

Under Article 6.2, initial reports are to be submitted no later than authorization of ITMOs. For this reason also, **early decisions** on ITMO use cases and first transfer definition elections will provide the greatest transparency at the earliest date, and help Parties prepare their initial reports.