Submission by the Republic of Mali on behalf of the African Group of Negotiators (AGN)
on
Rules, Modalities and Procedures for the Mechanism Established by Article 6,
paragraph 4, of the Paris Agreement (Agenda sub-item 10(b))

October 2017

Background
The Paris Agreement established a **mechanism to contribute to the mitigation of greenhouse gas emissions and support sustainable development** under the authority and guidance of the Conference of the Parties serving as the meeting of the Parties to this Agreement (CMA) for use by Parties on a voluntary basis. COP 21 requested the Subsidiary Body for Scientific and Technological Advice (SBSTA) to develop and recommend rules, modalities and procedures for the mechanism referred above for consideration and adoption by the CMA at its first session (Decision 1/CP.21 38).

The SBSTA 46 invited Parties to submit, by 2 October 2017, their views, inter alia, on the content of the rules, modalities and procedures, including the structure and areas, issues and elements to be addressed, including those raised by Parties at SBSTA 46.

The AGN welcomes the opportunity to provide its views on the mechanism established by Article 6.4 and referred to henceforth as the Sustainable Development Mechanism (SDM). Recalling its prior submission dated 27 March 2017 in which the AGN has provided its views on the full range of elements of the mechanism, it wishes to take this opportunity to elaborate more deeply on foundational issues. By offering further explanations to its positions, the AGN hopes to contribute to advancing the discussions on key issues during SBSTA 47. Questions of **purpose, objective and scope of the mechanism as well as its relationship to the Article 6.2 guidance and the CDM** are addressed in this submission, noting that their resolution is of fundamental and primary relevance.

Purpose of the SDM
The main purpose of the SDM is to enhance ambition by unlocking additional mitigation action by public and private actors. As the CDM has demonstrated before, the SDM can, if designed properly, be a dynamic force for climate action and sustainable development. By harnessing the power of non-state actors it can deliver real action quickly and efficiently, going beyond government plans and responding to the urgency of the climate challenge. The SDM is a crucial instrument for ratcheting up collective ambition in real terms. By directly incentivizing the public sector as well as the private sector and other non-state actors to contribute finance, technology and innovation capacity, it is an effective enabler of climate action on the ground. Its transparent structures create globally replicable knowledge and experiences. The SDM is particularly relevant for use by countries that lack the capacity to develop own approaches, thereby providing equal opportunities for all countries to participate in cooperative action. Through the share of proceeds and the generation of funding towards

adaptation, the SDM is a central instrument for countries that are most vulnerable to climate change.

The opportunity provided by the SDM must not be missed. It must be designed in such a way that it is both practical for participating countries and actors to use and credibly ensures environmental integrity and sustainable development. Requirements on non-state actors must not render the instrument inoperable. Nor must the SDM be perceived negatively, which would limit demand on the acquiring side.

Objective
The objective of the SDM is to provide a globally vetted framework for the certification of real, measurable and long-term benefits of mitigation action as a result of global cooperation. The SDM is the only instrument that can issue globally recognized units of emission reductions. Units generated by the SDM can be used in a variety of ways including for Parties to fulfil their NDC commitments or private sector actors to meet targets under compliance schemes, such as CORSIA. Units generated by the SDM can also serve as an instrument for results-based finance in conjunction with the cancellation of units.

Scope
Eligible activities are those mitigation activities that result in real, measurable and long-term benefits to the climate. They have to be additional to what would otherwise occur and deliver an overall mitigation. Decision 1/CP.21 paragraph 38 (c) recognizes different "scopes of activities" as the basis for the rules, modalities and procedures of the mechanism. In our view this provides the opportunity of developing the rules for different classes of activities at different speeds. While there is already ample experience with some scopes of activities, for example Programme of Activities, other scopes desired by some Parties such as "broader approaches" would need more time to be developed.

Activities both inside and outside the scope of the NDC are eligible if they lead to real, measurable and additional mitigation.

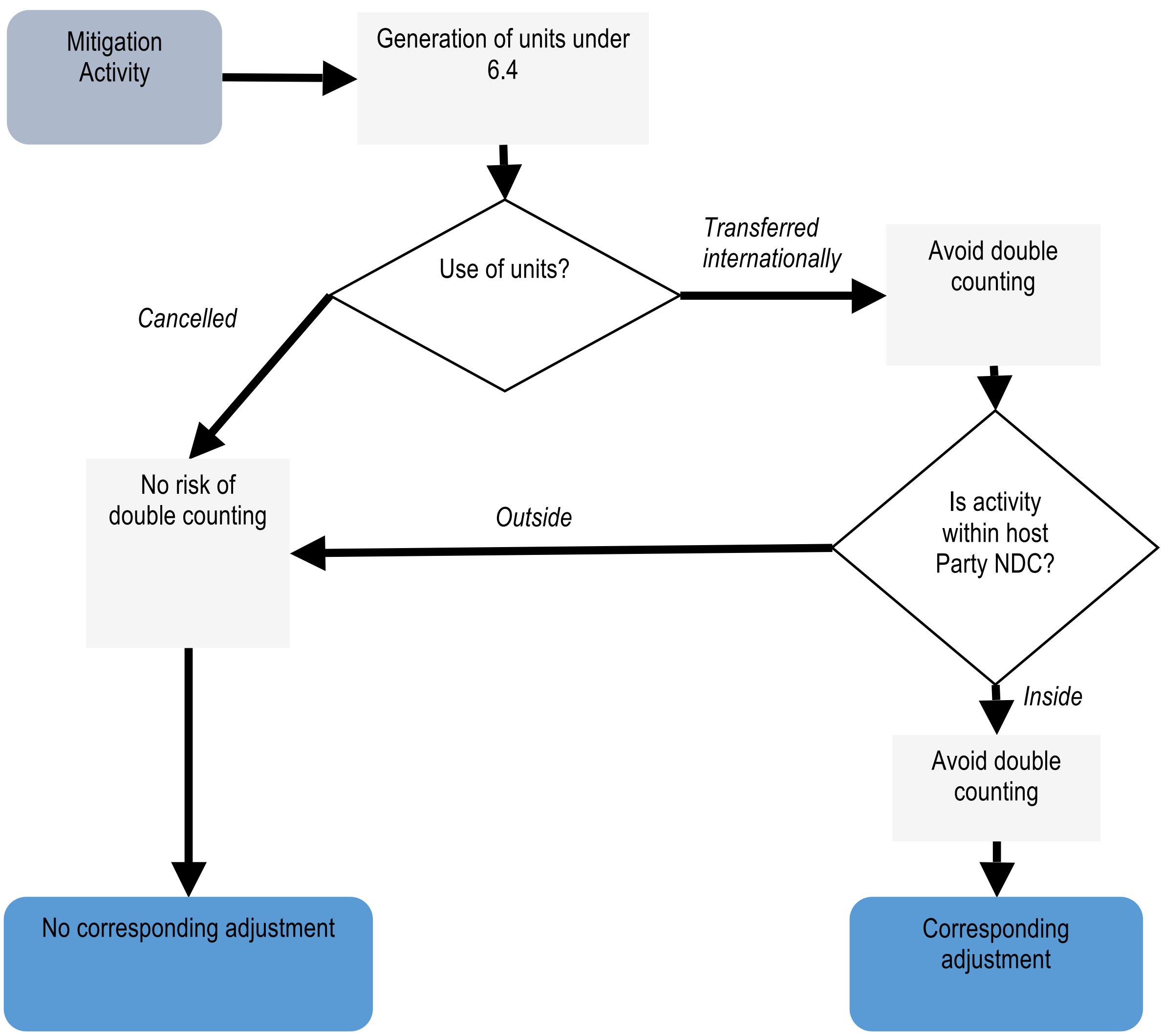
Relationship with Article 6.2 guidance
In our view Article 6.4 deals with the certification of individual mitigation activities while Article 6.2 provides an overall framework for accounting of mitigation outcomes transferred internationally between Parties. Article 6.2 guidance is applicable to units generated under Article 6.4 if they are internationally transferred and used for compliance. Mitigation units must be reported as ITMOs by the host and the acquiring Party and a corresponding adjustment must take place in the accounting balance of both countries.

However, there are also limits to the application of Article 6.2 guidance to units generated under Article 6.4 when transfers are out of scope of what Article 6.2 regulates (see Figure 1). This is the case when units are not transferred internationally and used towards an acquiring Party's NDC but simply cancelled in the SDM registry. In this case no ITMOs are exchanged. Consequently, no risk of the emission reductions being counted towards more than one Party's NDC arises.

Another situation where Article 6.2 guidance is not applicable is when the mitigation outcome that is transferred is not reflected in the host country's NDC because the activity is out of scope of its NDC. In this situation there is no risk of double counting because the emission reduction would only be counted by the acquiring Party but not by the host Party in its NDC. A corresponding adjustment to prevent double counting is not needed. If it were required, it would place an undue burden on the sectors which are covered by the host country's NDC because these would have to make up for the shortfall.

The most common reason for countries not to include a sector in their NDC is the lack of quality data. This should not act as a deterrent to an instrument that could help unlock mitigation potential and thereby improve data in the sector. Mitigation activities incentivized through the SDM could help a country develop better knowledge and capacity in the sector, thereby laying the groundwork for the sector's inclusion in the NDC at the next NDC cycle. The capacity of the SDM to act as an enabler of progression must not be stifled by making its use unnecessarily difficult.

Figure 1: Flow diagram showing the need for corresponding adjustments for units generated by the SDM



While it is not needed to undertake corresponding adjustments in some situations, Parties should nevertheless report on internationally transferred units in their biennial communications. There should be full transparency on any units generated and transacted under the SDM, also in cases in which there is no link to NDC compliance. Transparency is a value in itself and reporting on all SDM units generated and transacted will inform Parties and other stakeholders about the uptake of the mechanism. The information on mitigation outcomes transferred from outside the host Party's NDC scope is of particular relevance should the host Party decide to bring the sector into the NDC at the next NDC cycle.

In summary, a distinction needs to be made between situations in which host countries only report on units generated and transacted under the SDM and those which also require corresponding adjustments to be made to the host country's accounting balance.

Relationship with the Clean Development Mechanism (CDM)

The SDM bears many resemblances with the CDM and can largely draw on processes, institutions, methodologies and experiences that have been created through the CDM. It is not necessary to design the SDM from scratch but the mechanism can draw on the building blocks that are already there. To effectively operationalize the SDM, negotiations should therefore focus on the issues that are necessarily different and start by identifying areas for which new rules, modalities and procedures have to be developed. In our view, areas for which new or modified guidance has to be developed relate to the scope of the mechanism, its governance structure, the operationalization of overall mitigation of global emissions and the relationship between crediting and the NDCs.

Provided the close resemblance of the SDM and the CDM and the fact that both mechanisms seek to incentivize public and non-state actors, it is imperative to discuss a path of transition for projects and programmes registered under the CDM to the new mechanism. This discussion is urgently needed, given, on the one hand, the significant mitigation potential of already registered projects and programmes and, on the other hand, the absolute necessity to build credibility of the new mechanism by honouring investments. The negotiation of transition of registered projects and programmes must not be an afterthought but be addressed concurrently with the elaboration of the rules, modalities and procedures of the SDM.

In our view the migration of CDM projects and programmes should follow an eligibility check, based on clear criteria. Negotiations have to define a set of criteria based on which registered CDM are allowed to migrate without having to undergo revalidation. Criteria should cater to the specific circumstances of African countries as they have benefitted the least from carbon markets and have a large pipeline of PoAs with high sustainable development benefits.