

Crunch issues in Article 6 negotiations

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Official COP27 tasks regarding Art.6 negotiations: Art. 6.2

- Tables and outlines for **reporting and review**
 - Agreed electronic format (AEF)
- Guidelines for the **reviews**
 - Training programme
- Infrastructure (**registries** etc.), “tracking”

Items deferred

- Special circumstances of **LDCs** and **SIDS**
- Further guidance on corresponding adjustments (accounting through **trajectory** and **averaging** approach)
- Inclusion of emission **avoidance**

Official COP27 tasks regarding Art.6 negotiations: Art. 6.4

- Processes for **transition of activities** from the CDM to the Art.6.4 mechanism and **CER transition**
- Host country **reporting** on their Art.6.4 activities
- Details on the A6.4M **registry**
- Processes for implementation of the **share of proceeds** for administration and adaptation
- Processes for **OMGE**

Items deferred

- **National arrangements** for host Parties
- Consideration of emission **avoidance** and **conservation enhancement** activities

Disastrous Art. 6.4SB meeting

■ A6.4SB had the task to propose guidance on methodology development and removals to the CMP

- Three meetings held July-November 2022
- Internal working groups on these topics set up

■ Despite all-night session on Nov. 5. , A6.4SB could **not agree on methodology guidance**

- Fight on **baselines** between developing and industrialized countries – former want leniency, latter stringency, old fault lines from CDM re-emerged
 - **Baseline contraction factor** and **baseline quantification** key bone of contention
- **Additionality stringency** contested along same lines

■ Agreement on **rather simplified removals** guidance

- New definition of removal as **process**, including in **products** and **oceans**
- New term of “**observed events**” related to monitoring

Key contentious issues I

1. Which registries should be involved in Article 6?

- Should the different registries be fully linked or not? US no link, EU, AILAC, EIG: want link
- US, Singapore and Canada want to make **voluntary carbon market registries** eligible; other countries argue that only international and national registries should be **involved**
- **Level of assigning and scope of unique identifier**

2. CER use: **narrow or broad**

- Can CERs only be used for NDCs (EU, AOSIS) or also for the voluntary market (US, LMDC)
- Are CERs from all sources eligible or only from the CDM registry (same faultlines)?

3. **Timelines** of using CDM approaches under Art. 6.4

- **Validity of CDM meths (at renewal, if no new meth available after 2025)**
- **End date until which CER use for NDCs needs to be notified (2025?)**

4. Removals guidance by A6.4SB

- All parties want to reject the guidance, for different reasons -> SB needs to take it up again

Key contentious issues II

6. Do **host countries** have to **apply Article 6.2 reporting rules** to Article 6.4 activities?

- **Simplified reporting:** India, LMDC, Brazil, AGN; same reporting all others
- Trigger for A6.2 reporting through authorisation of A6.4ERs?

7. **Guiding principles for technical expert review**

- LMDC, China oppose on **sovereignty grounds**
 - Broad **confidentiality!**
- Does Article 6 review **include REDD+ activities?**
 - Coalition for Rainforest Nations argues **that Art. 5 already has a review** that should not be duplicated; other countries argue **no exemptions** should be granted

8. Mechanism registry scope linked to **use cases**

- Implicit issue whether **non-authorised A6.4ERs** can be used **outside** of host country NDCs (which is opposed by EU, AOSIS, EIG, AILAC)

9. **Narrow vs broad OMGE payment**

- Voluntary payment **beyond** mandatory 5% opposed by China, Arabs
- OMGE on **CERs** (EU, AOSIS), opposed by China, Japan

Use of voluntary carbon market registries?

- US and Singapore want to enable their **voluntary market standards to directly engage in Article 6**
- **Quality** of voluntary market standards and credits **varies significantly**
- **Risk of fragmentation**, for example identifiers in different registries are inconsistent
- International standards under Article 6 need to be better than those of voluntary carbon markets
 - **International unique identifier/serial number** to cover all critical elements, be much more specific than in voluntary registries

Flexible or fixed purpose?

- Is purpose (NDC use, CORSIA, voluntary market) **fixed once for all** or can the purpose be **changed during the course of the activity**, even **retroactively**?
- Flexible purpose allows **adjusting for changes in market conditions**
 - E.g. ITMO prices on the NDC market **rise above those** on the voluntary market -> change of purpose to the NDC
- Flexible purpose will make **transparency more difficult**
- Developers want **full flexibility** but do not be exposed to the risk of the government revoking authorization
 - US opposed to revocation even in case of fraud!

General deferrals

- China pushes for **deferrals of most contentious topics** that in the broadest sense relate to **reporting** -> this jeopardizes timely operationalization of esp. Art. 6.4 but also Art. 6.2 initial reporting
- Are corresponding adjustments mandatory for **non-authorised A6.4ERs**?
 - EU, AOSIS: yes, others: no
- How much **capacity building** is needed to “buy off” requests for exemptions due to “**special circumstances**”?
 - LDCs immediately want far-reaching exemptions (e.g. from additionality), other countries want to collect experiences before granting exemptions