



# Designing Art. 6 pilots – key guardrails defined in Katowice



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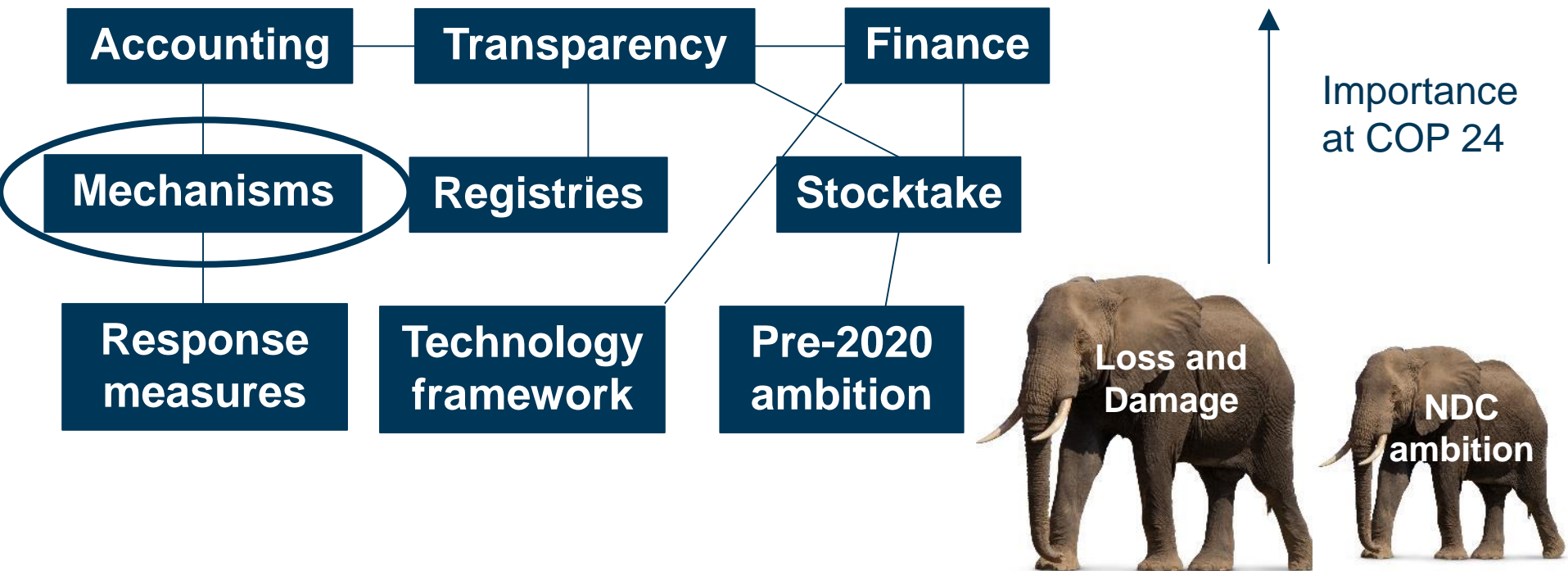
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# Topics

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- **Market mechanisms – the missing chapter of the Paris Rulebook**
- **Relevance of COP topics and the elephants in the room**
- **Market mechanisms as sticking point**
- **Areas of agreement that can guide pilots**
- **Areas of contention that need to be resolved**
- **Outlook for 2019 and recommendations for “friends of markets”**

# Key links between COP 24 negotiation topics

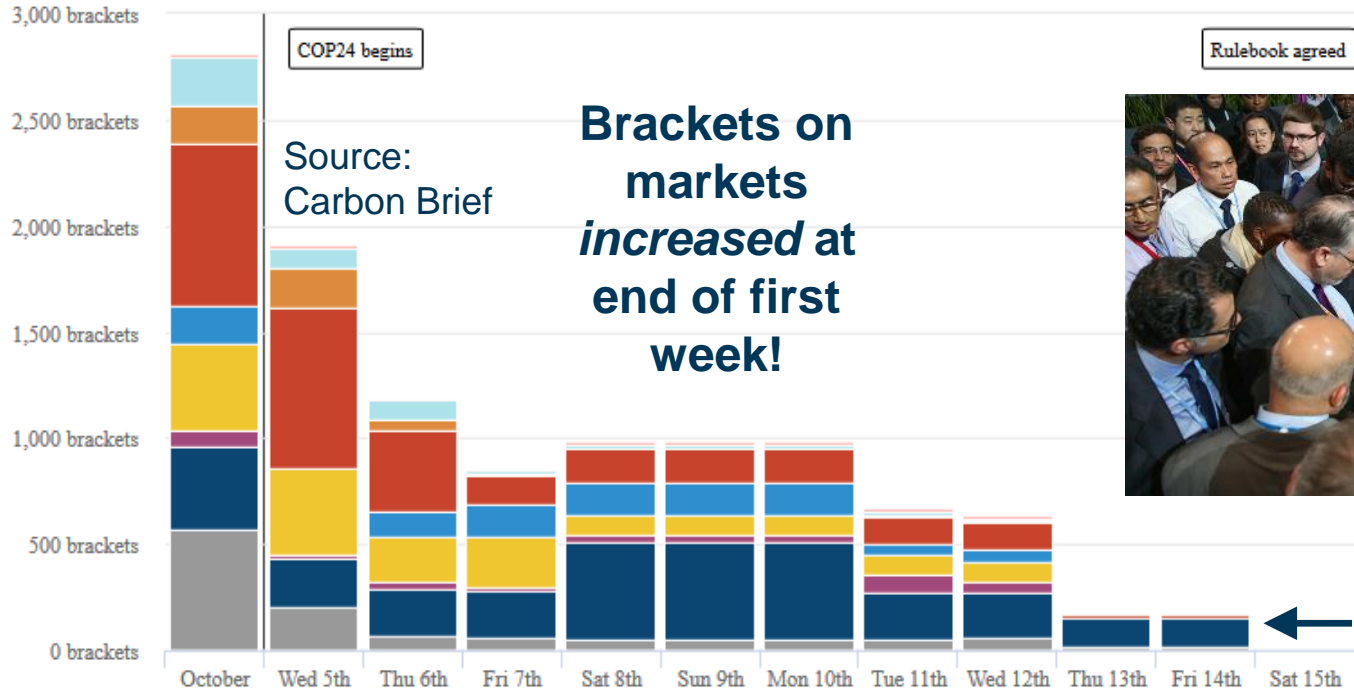


# Key Paris Rulebook elements agreed in Katowice

Art. 4	Mitigation	<del>NDC features</del>	4.12 Mitigation registry	<del>4.10 Time frame</del>
Art. 6	<del>Mechanisms</del>	6.2 CAs	6.4 SDM	6.8 NMAs
Art. 7	Adaptation	7.10 adaptation communication	7.12 adaptation registry	AF
Art. 9	Finance	9.5 ex ante info	9.7 ex post info	
Art. 13	Transparency	13.2 flexibility due to capacity		
Art. 14	Global Stocktake	Format and timing		

# Market mechanisms as sticking point at COP

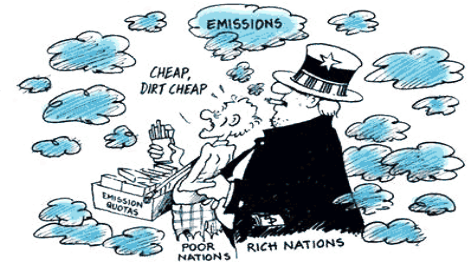
- 4 – NDC guidance
- 6 – Market mechs
- 7 – Adaptation comms
- 9 – Finance reporting
- 10 – Tech framework
- 13 – Transparency
- 14 – Global stocktake
- 15 – Compliance
- Other matters



← **Markets**

## Art. 6: Failure in Katowice

- **Decisions deferred to COP 25**
- **Brazil generally seen as responsible for failure due to obstinacy on corresponding adjustments and CDM transition**
- **In reality deeper malaise between early mover buyers and (mostly) latecomer sellers**
  - Former are **restrictive**, latter **lenient**
  - Joint AILAC, EIG, EU, Japan, Canada, Australia, New Zealand submission on need for **robust accounting**
  - **Africa and LDCs** want to participate without heavy burdens after having been able to **set up CDM PoAs** in the last years



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# Areas of agreement

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## ■ Governance

- Not have international oversight for Art. 6.2
- Supervisory Body for Art. 6.4 similar to CDM EB
- Require a registry for Art. 6.2 participation, with the UNFCCC Secretariat providing a joint registry for those countries not having an own one
- Have a technical expert review on accounting, oriented on Art. 13
- Not have reporting requirements on sustainable development
- Introduce a grievance mechanism for Art. 6.4
- Defer discussions on safeguards

## ■ Scope

- Allow upscaling



# Areas of agreement II

## ■ Accounting of Art. 6 units

- Allow unit metrics other than CO<sub>2</sub>e, with a buffer registry for those countries
- Account towards inventory, not NDC (*this is now in the Rulebook on Art. 13*)
- Convert intensity targets into absolute emissions levels
  - Compromise EU-China, ex-ante methodology for later quantification
- Allow corresponding adjustments at the end of the NDC period
  - For single year target countries only with other single year target countries





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# Areas of agreement III

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## ■ Accounting (cont.)

- Not having a discount for overall mitigation both on Art. 6.2 and 6.4
  - Instead “voluntary cancellation”, blurred definition of overall mitigation
- Report in Biennial Transparency Report (BTR)
  - no increase in global emissions, stringent reference levels, baselines set conservatively below business-as-usual, compensation of material reversals
- Consistency check by the Secretariat
- Technical Expert Review as in Art. 13



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# Contentious elements

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## ■ Scope

- Eligibility of **NDC sectors** vs. **non-NDC** sectors?
  - EU against, Brazil and Africa in favour
- Use **outside** of UNFCCC (CORSA)?
- **REDD+/forestry** excluded?
  - Opposition by Ecuador and Peru, no common AILAC position



## ■ Accounting

- Corresponding adjustment **exemption** for **non-NDC** sectors?
  - Industrialized countries and AILAC against, Brazil/Africa in favour

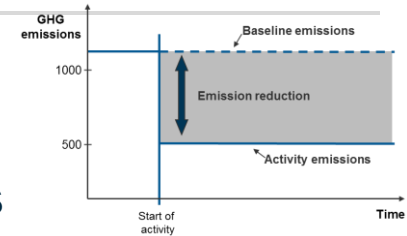
## • Adaptation tax

- Just on **Art. 6.4** or **all mechanisms**?
  - Industrialized countries against, Brazil/Africa/AOSIS in favour

# Contentious elements II

## ■ Definition of baselines

- Best available technologies or benchmarks?
  - EU in favour, Brazil against, Africa with concerns
- Standardized baselines “on demand” by host countries (Africa)



## ■ Duration of crediting periods

## ■ Transition from Kyoto Mechanisms into Art. 6

- Transition of **activities** (which mechanism, re-registration, exclusion, time thresholds)?
- Transition of **units** (vintage thresholds?)
- Transition of **methodologies**?
- **Key bone of contention**, with EU and Brazil/India/SA being the extremes; middle ground by AGN/Switzerland/Norway



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## Outlook for 2019 and recommendations

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- **Chile is a credible COP host that has good chances to be taken seriously as bridge builder for a balanced Art. 6 decision**
- **Can we build on the many areas of agreement or do we have to start from zero?**
  - Support informal diplomacy to narrow down areas of contention well before the COP
- **More time for Art. 6 pilot developers to influence rule setting**
  - Testing of aspects that were contentious in Katowice
- **Switzerland and EIG can make a difference by continuing engaging in pilots, as just announced by KLIK**



**Thank you!**

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