

# International Conference for Implementing Article 6 of the Paris Agreement

Summary of the 1<sup>st</sup> part of the Conference

February 17th, 2022

Organized by:

Ministry of the Environment, Japan (MOEJ)

Institute for Global Environmental Strategies (IGES)

Supported by:

UNFCCC Secretariat, COP26 and COP27 Presidencies

## Summary of the Conference

At the COP26 of U.N. Framework Convention on Climate Change (UNFCCC) in Glasgow last November, negotiators reached the agreement on the implementation guidelines for Article 6 of the Paris Agreement – a long-awaited piece of the Paris Rulebook. Article 6 is instrumental for operationalizing international carbon markets and has great potential to contribute to deeper global emission reductions by stimulating the global decarbonization market and private investment.

In order to accelerate Article 6 implementation at the earliest stage, it is important to understand the rules stipulated in the Article 6 guidelines by all stakeholders, to create enabling environments for the development of emission reduction projects, and to formulate strategies for utilizing the Article 6 in the achievement of NDCs.

In light of this, **the International Conference for Implementing Article 6 of the Paris Agreement** is hosted by the Ministry of the Environment, Japan and Institute for Global Environmental Strategies (IGES) and supported by the UNFCCC secretariat and COP26 Presidency and COP27 incoming Presidency.

The overarching objectives of the conference are:

- Foster a common understanding of the decisions made on the Article 6 Implementation Guidelines at COP26 and the Article 6 Work Programme for 2022;
- Share the development of institutional and governance framework and capacity-building needs based on the experience of Article 6 negotiations and piloting; and
- Discover areas where the implementation can be accelerated by collaborating with stakeholders.

The first in the series was held on 17 February, aiming at framing the discussions for the 2nd conference through presentations on future work and capacity-building support needs based on the agreement of the Article 6 rules. The speakers identified, the following key areas for capacity-building as needs, we would hearing more on specifics in the 2nd conference:

Key inputs for the next meeting:

- Capacity building needs to be tailored to the different capabilities of each country.
- Develop concrete work plans and specific timelines for capacity building.
- Policy support for decarbonization,
- Support for the preparation of governmental authorization frameworks,
- Participation requirements,
- Clarity of environmental integrity standards,
- Clarity of additionality,
- Clarity of reporting and accounting,

- CDM transition.

The February conference attracted participants representing 102 countries and approximately 1,000 people watched live. **The second part of the conference is scheduled for Monday, March 7.**

For more information, please visit the IGES webpage:

<https://www.iges.or.jp/en/events/20220217>

## Disclaimer

The organizers have made every effort to ensure objectivity and provide a comprehensive summary of the conference, but errors can occur. The organizers assume no liability or responsibility for any errors in this report. Please also refer to the recordings and/or presentations available on the conference site for each speaker's contribution.

## 1. Summary of each session

### 1.1. Opening remarks

At the opening ceremony, high-level speakers addressed participants, highlighting the potential of Article 6 of the Paris Agreement as a cost-effective way for promoting climate change mitigation and facilitating the inclusive participation of all stakeholders.

The event kicked off with a series of statements, leading with remarks by H.E. Mr. YAMAGUCHI Tsuyoshi, Environment Minister of Japan. This was followed by remarks from supporting organizations.

- **YAMAGUCHI Tsuyoshi, Minister of the Environment, Japan**
  - COP26 was a historic success, calling for an ambitious effort to limit temperature rise to 1.5 degrees Celsius. He felt honored if Japan was able to contribute to the success of COP26 by facilitating the agreement on the rules of Article 6 and by contributing an additional US\$10 billion in climate finance. He mentioned that it was very fruitful to have the opportunity to speak directly with other Ministers.
  - The main objective of the conference is to strengthen understanding and capacity building for the implementation of Article 6. More than 120 countries have expressed their willingness to use Article 6 in their NDCs. Some experts estimate that the implementation of Article 6 could reduce an additional 9 billion tCO<sub>2</sub> emissions by 2030.
  - Article 6 can stimulate global decarbonization and private investment, reducing CO<sub>2</sub> emissions and promoting economic growth at the same time. This conference will present examples of countries that have already started their initiatives to implement Article 6. The series of two conferences will hopefully accelerate capacity building in more countries.
- **Patricia Espinosa, UNFCCC Executive Secretary**
  - Japan has played an important leadership role in the UNFCCC process to date, particularly in Article 6. Appreciate leadership and technical expertise.
  - The package agreed in Glasgow was the most significant progress since the adoption of the Paris Agreement. Parties have clarified the work needed to reach the 1.5 degrees target. The completion of the rulebook for the Paris Agreement is a major achievement.
  - The adoption of the Article 6 rules has significant implications. It guarantees the full operation of the Paris Agreement and supports both mitigation and adaptation, through its combination of market and non-market approaches. Although the rules are highly technical, Article 6 provides the basis for devoting more resources to support developing countries. A recent report published by International Emission Trading Association (IETA) estimated that Article 6 could reduce the cost of implementing NDCs

by US\$ 250 billion per year by 2030.

- UNFCCC, through the Regional Collaboration Centers (RCCs), will work with Parties and Supervisory Body to develop support for capacity building. This event is an excellent opportunity to understand the needs of countries.

\*Full statement is available on the UN Climate Change website:

<https://unfccc.int/news/article-6-is-a-key-tool-to-boost-climate-ambition-patricia-espinosa>

- **Alok Sharma, COP26 President**

- He thanked Minister Yamaguchi and his team for the important role they played in moving us forward in the negotiations on Article 6. We now have a strong framework to support international carbon market and non-market approaches. Cost-effective and sustainable emission reductions are now possible, and we can enhance our ambition.
- We must now put this into practice and make sure that all countries can participate. We need to focus on capacity building. The UK will be supporting capacity building this year.

- **Wael Abulmagud, Ambassador, Personal representative of COP27 President, Arab Republic of Egypt**

- Egypt guarantees its efforts to create the conditions necessary to achieve progress on all agenda items in a balanced manner at COP27. The world expects COP27 to be a place of implementation, which is very close to the mission we see to move from the negotiation phase to the implementation phase.
- After the success of Glasgow, we recognize that there are still some challenges to be met. The most important is Article 6, the technical work that must be completed by the end of this year. For example, review guidelines, reporting outlines, tracking and recording infrastructure, etc. of Article 6.2, and the mandate to Article 6.4 Supervisory Body and Article 6.8 Glasgow Committee, and capacity building programme.

## 1.2. Article 6 decisions at COP26 and Work Programme for 2022

- **Perumal Arumugam Pillai, Team Lead, Programme Officer, Regulatory Framework Implementation, Mitigation Division, United Nations Climate Change Secretariat**

- Under Article 6.2, decisions were taken on: raising ambition in mitigation and adaptation; definition of internationally transferred mitigation outcomes (ITMOs); definition of initial transfer; participation requirements; modalities for corresponding adjustments; safeguards; reporting; expert review; and infrastructure for recording and tracking ITMOs. The submission on reporting and infrastructure will be followed by a workshop in Subsidiary Bodies (SB) at its 56<sup>th</sup> meeting.

- Under Article 6.4, decisions were taken on operational aspects such as the establishment of Supervisory Body, accounting of emission reduction units from Article 6.4 (A6.4ERs), Share of Proceeds, Overall mitigation in global emissions, baseline and additionality, transfer of activities under the CDM and the use of pre-2021 CERs for NDCs. At least two meetings of the Supervisory Body are to be planned in the year 2022 as per the CMA decision.
- Under Article 6.8, decisions were taken on governance for non-market approaches, including the Glasgow Committee, and on the content and activities to be focused on. Following the submission, a workshop and the first Glasgow Committee are planned during SB56.

### 1.3. Development of institutional Arrangement and capacity-building needs through sharing of examples of Article 6 implementation

#### 1.3.1. Example of latest efforts: institutional and governance framework for the implementation of Article 6

Three countries, Japan, Switzerland, and Chile, shared their experiences of implementing market mechanisms and preparing Article 6 operationalization.

- **MASUDA Shogo, Deputy Director, Office of the Market Mechanisms, Ministry of the Environment, Japan**
  - Japan has set a target of 46% reduction by 2030 compared to 2013 and net-zero by 2050, with the JCM aiming to achieve a total amount of reductions of 100 million tCO<sub>2</sub> by 2030.
  - The Government of Japan is implementing Article 6 capacity building through workshops and mutual-learning programme. The three pillars related to Article 6 are to expand the number of partner countries through a collaboration with international organizations, to mobilize private sector finance to scale up JCM projects, and to contribute to capacity building through cooperation with the RCCs.
- **Simon Fellermeier, Federal Office for the Environment, Switzerland**
  - Switzerland intends to use Article 6 as part of its NDC achievement and has tried to include it in national legislation such as the CO<sub>2</sub> law and ordinance, but this is pending after the referendum was rejected.
  - Bilateral agreements are needed as a framework for private sector engagement. Bilateral agreements have been signed with Peru, Ghana, Senegal, Georgia, Vanuatu, and Dominica.
  - Actual cooperation begins with the government authorization of projects based on the framework of bilateral agreements. There is no joint committee, so the authorization process will be unilateral by each country.
  - Based on the guidance on Article 6.2, we are developing national laws and bilateral

agreements and will coordinate the details with each partner country.

- **Juan Pedro Searle, Head of Climate Change Unit, Ministry of Energy, Chile**
  - In Chile, 70% of domestic emissions come from the energy sector and coal phase-out is the most relevant measure in the policy package.
  - Article 6 could be part of the solution in both the 2030 target and carbon neutrality by 2050. Article 6 is mentioned in the NDC, which mandates that a public-private roundtable be held to develop a national policy on the use of Article 6. In the long-term planning strategy, Article 6 is mentioned as a possible means of facilitating access to international markets.
  - Carbon pricing is currently around US\$5 per tCO<sub>2</sub>, but the National Energy Strategy is of the view that this should rise to US\$35 by 2030 and US\$80 by 2040.
  - On the policy side, the Climate Change Framework law will mandate the creation of an emissions trading scheme for companies. There will also be an offset system using Article 6.
  - Regarding Article 6.2, in addition to the World Bank's efforts, we have been cooperating and discussing with Sweden, Switzerland, Japan, Canada, and others, but there have not been Article 6 pilot.
  - On the domestic institutional side of Article 6, a task force of relevant ministries has been working since 2020, to understand bilateral engagement and prepare national guidelines on Article 6.

### 1.3.2. Enhancing NDC through A6 implementation and Identification of capacity-building programmes

- **Marina Carrilho Soares, Second Secretary, Environment Division II, Ministry of Foreign Affairs, Brazil**
  - Brazil sees Article 6 as a way to enable higher ambition. It is important to meet the accounting requirements in Articles 6.2 and 6.4 and consider authorization in relation to NDCs.
  - Non-ITMOs in Article 6.4 can be considered as support units, creating incentives in certain sectors, and also as a means to channel climate finance to developing countries.
  - In Brazil, the clean development mechanism (CDM) has facilitated institutional change, where market incentives have driven not only economic benefits but also national activities motivated by the CDM that have brought together large parts of the federal government to develop national and sectoral policies related to climate change and the associated legal instruments.
  - In terms of capacity building, the role, requirements and challenges of the host country

are greater than under the CDM. Capacity building needs to be tailored to the different capabilities of each country. This does not limit to Article 6 and will encompass the implementation of the Paris Agreement, including data gathering. It is important to develop concrete work plans and specific timelines for capacity building.

- **M. El Hadji Mbaye Diagne, Membre du Comité National des Changements Climatiques, Afrique Energie Environnement, Senegal**

- It is important to understand the implications of participation in Article 6 for each of the unconditional and conditional targets of the NDC. For unconditional targets, it is possible to carry out activities without corresponding adjustments. If not, additional activities will be required to achieve the target. For conditional targets, activities with high reduction costs are possible. The question arises as to whether the corresponding adjustment should also apply to conditional targets.
- By implementing Article 6 in sectors not covered by the first NDC, it will be possible to raise the ambition of the next NDC.
- The preparation of robust and inclusive national frameworks is important in order to prepare for participation in the various carbon markets and related bilateral agreements, etc.
- Capacity building in terms of structuring, authorization, coordination, reporting requirement, participation requirements, technical requirements such as baseline setting, CDM transition, use of RCCs, Supervisory Board, etc. is important.
- It was expressed that more specific activities on capacity building together with the RCCs should be discussed at the next March Conference.

- **Darryl Chua, Assistant Director, Economic Research, National Climate Change Secretariat, Strategy Group Prime Minister's Office, Singapore**

Mr. Chua introduced the national context and potential to enhance global climate action with lower costs.

- Singapore has set a net-zero target for 2050, with an emissions target of 65 million tCO<sub>2</sub> in 2030.
- Singapore is considering an Article 6 pilot as a means of building the necessary capacity and infrastructure to enable international cooperation. There needs to be a clear authorization process for making corresponding adjustments and the types of activities approved within the scope of cooperation.
- It is possible to agree in advance on how the benefits will be shared between the parties. This could take the form of sharing of reduction outcomes, whereby only a portion of the reductions are transferred internationally to the buyer and the remainder can be retained by the host country to achieve its own NDCs. Other supportive infrastructure is needed to



enable benefit sharing in the form of non-carbon benefits and sustainable development goals, mutually agreed environmental integrity standards that comply with Article 6 guidance, and reliable market transactions.

- The suggested capacity-building should be targeted at policy support for decarbonization, clarity of environmental integrity standards, clarity of additionality, support for the preparation of governmental authorization frameworks, and clarity of reporting and accounting.

### 1.3.3. Application to other international mitigation purposes such as Carbon Offset Reduction Scheme for International Aviation (CORSIA) and Voluntary Markets

- **Molly Peters-Stanley, Foreign Affairs Officer, Office of Global Change, U.S. Department of State**
  - CORSIA is considered as one of “other international mitigation purposes” in the Article 6 decision and mitigation outcomes to be used under CORSIA require government authorization.
  - At COP 24, the Article 6 rule was not concluded, but it was agreed that mitigation outcomes approved for use in a system such as CORSIA “could” be accounted for in the reporting table. The concept of accounting for credit uses other than NDCs emerged at this time, and in 2020 it was decided that the vintage of credits should be before 2021 to avoid double counting with NDCs. The final Article 6.2 guidance decided that a corresponding adjustments would also be required for mitigation outcomes used in CORSIA.
  - CORSIA sets out the matters that airlines and states must report to International Civil Aviation Organization (ICAO).
  - The ICAO Technical Advisory Body approved two programs (American Carbon Registry and Architecture for REDD+ Transactions) as credits that can be used for the first compliance cycle until 2023. Although the wording under these programs differs from the Article 6 rules (“attestation” and “authorization”) as this was before the Article 6 rules were agreed, CORSIA considers that the process for these programs constitutes governmental authorization under Article 6.
  - With regard to the implementation of the Article 6, the experience of the CORSIA pilot phase can be useful, especially the reporting by the states and airlines and the example of the template and information contained in host country attestations.
- **Martin Hession, Official DG Climate Action, European Commission**
  - The capacity building to be carried out by the EU will include NDC implementation, raising the ambition of NDCs in host countries, and implementing Article 6 in line with the NDCs.

- The EU has set a target of 55% reduction by 2030 compared to 1990 and a net-zero by 2050.
- Areas for EU participation in Article 6 include: linking of emissions trading schemes with Switzerland, CORSIA, voluntary objectives by the public and private sectors. In relation to CORSIA, an amendment to the EU ETS is proposed to Parliament to avoid double counting and increased global emissions.
- In relation to the voluntary market, the EU requires large companies to disclose non-financial information. The Green Claims Initiative will consider the credibility of green claims, including related proposals on amending EU consumer law to encourage consumers to actively participate in the green transition. It will also consider the credibility of product-related claims, including proposals on the certification of removals within the EU.

## 2. Way forward

At the wrap-up session, **KOAKUTSU Kazuhisa, Director of International Negotiations, Office of Market Mechanisms, MOEJ** summarized the 1<sup>st</sup> conference:

1. The first point is the importance of understanding the Article 6 decisions and how they relate to NDCs. There is a need to have a clearer understanding of the agreement to implement it.
2. The second point is about how countries will participate in Article 6. In particular, national coordination and institutional arrangement are required to carry out authorization and corresponding adjustments. It is possible to learn from existing mechanisms.
3. Thirdly, with regard to reporting under Article 6, demands have been mentioned in some countries. There is also a need to discuss what is needed for Article 6 reporting, including in relation to data collection.
4. The fourth point is about participation in Article 6.4 mechanism. With the establishment of the 6.4 Supervisory Board, further detailed rules should be developed this year and the expectations on the 6.4 mechanism as a tool to enhance ambition have been mentioned by many countries.
5. The last point is CORSIA and the voluntary carbon market. We can learn from the many experiences of CORSIA.

Lastly, capacity building on how to develop more specific actions and plans, the role of RCCs, and also the needs of different countries. This is an area that will be taken up at the next meeting on March 7. We would like to hear your views and comments.

For the closing remarks, **SEGAWA Keiko, Deputy Director General of Global Environmental Bureau, MOEJ**, conveyed her gratitude to all the speakers and participants at the conference. She also shared her expectations for the 2<sup>nd</sup> part of the conference scheduled on March 7. Furthermore, she emphasized Japan's capacity-building support for governments and project participants through the cooperation with international organizations such as the RCCs and the World Bank, including reporting on the implementation of Article 6 and providing technical assistance for calculating emission reductions.

## Annex: Agenda of the 1<sup>st</sup> Event

### Contents:

- The first conference in the series introduces the decisions made on the Article 6 Implementation Guidelines at COP26 and the Article 6 Work Programme for 2022.
- Government representatives will also discuss on the development of institutional and governance framework and capacity-building needs based on their experience of Article 6 negotiations and piloting.
- The first event will frame the discussions for the 2nd conference through presentations on future work and capacity-building support needs based on the agreement of the Article 6 rules.

Date: Thursday 17<sup>th</sup> February 2022, 19:00-22:00 JST / 11:00-14:00 CET

Meeting format: Webinar

Organizers: Ministry of the Environment, Japan (MOEJ) / Institute for Global Environmental Strategies (IGES)

Support: UNFCCC Secretariat, COP26 and COP27 Presidencies

### Agenda

Time	Contents / Speakers
20 min	<b>Opening remarks</b> <ul style="list-style-type: none"><li>- YAMAGUCHI Tsuyoshi, Minister of the Environment, Japan</li><li>- Patricia Espinosa, UNFCCC Executive Secretary</li><li>- Alok Sharma, COP26 President</li><li>- His Excellency, Ambassador Wael Aboulmagd Personal representative of COP27 President, Arab Republic of Egypt</li></ul>
20 min	<b>Article 6 decisions at COP26 and Work Programme for 2022</b> <ul style="list-style-type: none"><li>- Perumal Arumugam Pillai, Team Lead, Programme Officer Regulatory Framework Implementation, Mitigation Division United Nations Climate Change Secretariat</li></ul>
135 min	<b>Development of institutional Arrangement and capacity-building needs through sharing of examples of Article 6 implementation</b> (Moderator: KOAKUTSU Kazuhisa, Director of International Negotiations, Office of the Market Mechanisms, MOEJ) <b>(1) Example of latest efforts: institutional and governance framework for the implementation of Article 6</b> <ul style="list-style-type: none"><li>- What kind of mechanisms or activities are you implementing under Article 6 of the Paris Agreement?</li><li>- What kind of policy and institutional and governance arrangement are you preparing in in your country accordance with Article 6 rule agreed at COP26?<ul style="list-style-type: none"><li>• MASUDA Shogo, Deputy Director, Office of the Market Mechanisms, MOEJ</li></ul></li></ul>

	<ul style="list-style-type: none"> <li>• Simon Fellermeier, Federal Office for the Environment, Switzerland</li> <li>• Juan Pedro Searle, Head of Climate Change Unit, Ministry of Energy, Chile</li> </ul> <p><b>(2) Identification of capacity-building support needs: Supporting content for the implementation of Article 6</b></p> <ul style="list-style-type: none"> <li>- How Article 6 implementation will enhance your NDC and climate action in your country?</li> <li>- What kind of capacity building programme can be facilitated for the implementation of the Article 6 while reflecting experience of the Clean Development Mechanism (CDM), if any? <ul style="list-style-type: none"> <li>• Marina Carrilho Soares, Second Secretary Environment Division II, Ministry of Foreign Affairs, Brazil</li> <li>• M. El Hadji Mbaye Diagne, Membre du Comité National des Changements Climatiques Afrique Energie Environnement, Senegal</li> <li>• Darryl Chua, Assistant Director, Economic Research National Climate Change Secretariat, Strategy Group Prime Minister's Office, Singapore</li> </ul> </li> </ul> <p><b>(3) Application to other international mitigation purposes such as Carbon Offset Reduction Scheme for International Aviation (CORSIA) and Voluntary Markets</b></p> <ul style="list-style-type: none"> <li>- How the Article 6 implementation can be facilitated through the implementation of CORSIA and/or Voluntary Markets?</li> <li>- What lessons can we learn from the CORSIA and/or Voluntary Markets? How the Article 6 implementation be benefited from the CORSIA and/or Voluntary Markets? <ul style="list-style-type: none"> <li>• Molly Peters-Stanley, Foreign Affairs Officer Office of Global Change, U.S. Department of State</li> <li>• Martin Hession, Official DG Climate Action, European Commission</li> </ul> </li> </ul>
	<p><b>Wrap-up</b></p> <ul style="list-style-type: none"> <li>- Summary of discussion and points for the second conference</li> </ul>
5 min	<p><b>Closing remarks</b></p> <ul style="list-style-type: none"> <li>- SEGAWA Keiko, Deputy Director General of Global Environmental Bureau, MOEJ</li> </ul>