



Global trends in actions based on Article 6 of the Paris Agreement

Recent developments and movements worldwide based on study “Article 6 piloting: State of play and stakeholder experiences”

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IGES workshop: Recent development in Article 6

February 16, 2020

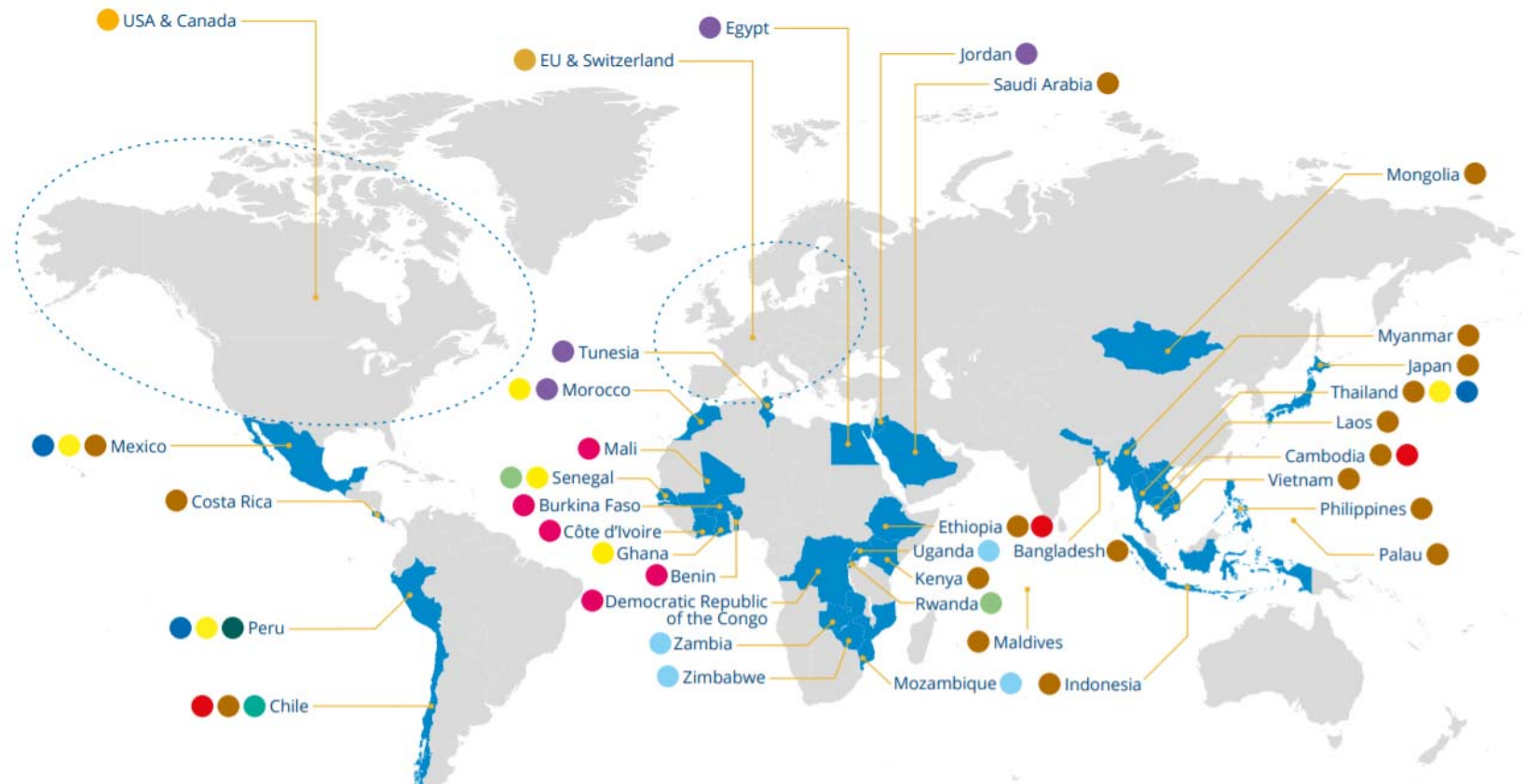
Global Article 6 pilot overview report – December, 2020

- **Overview** of ongoing Article 6 pilots by **bi- and multilateral organizations**
- New analysis of **state of play and stakeholder experiences** with Article 6 implementation focusing on how the pilots respond to the new context of the Paris Agreement / NDCs
- The analyzed activities represent the **diversity** of approaches that can be pursued under Article 6.2/6.4/6.8
- Update of 2019 edition was published in **December 2020**



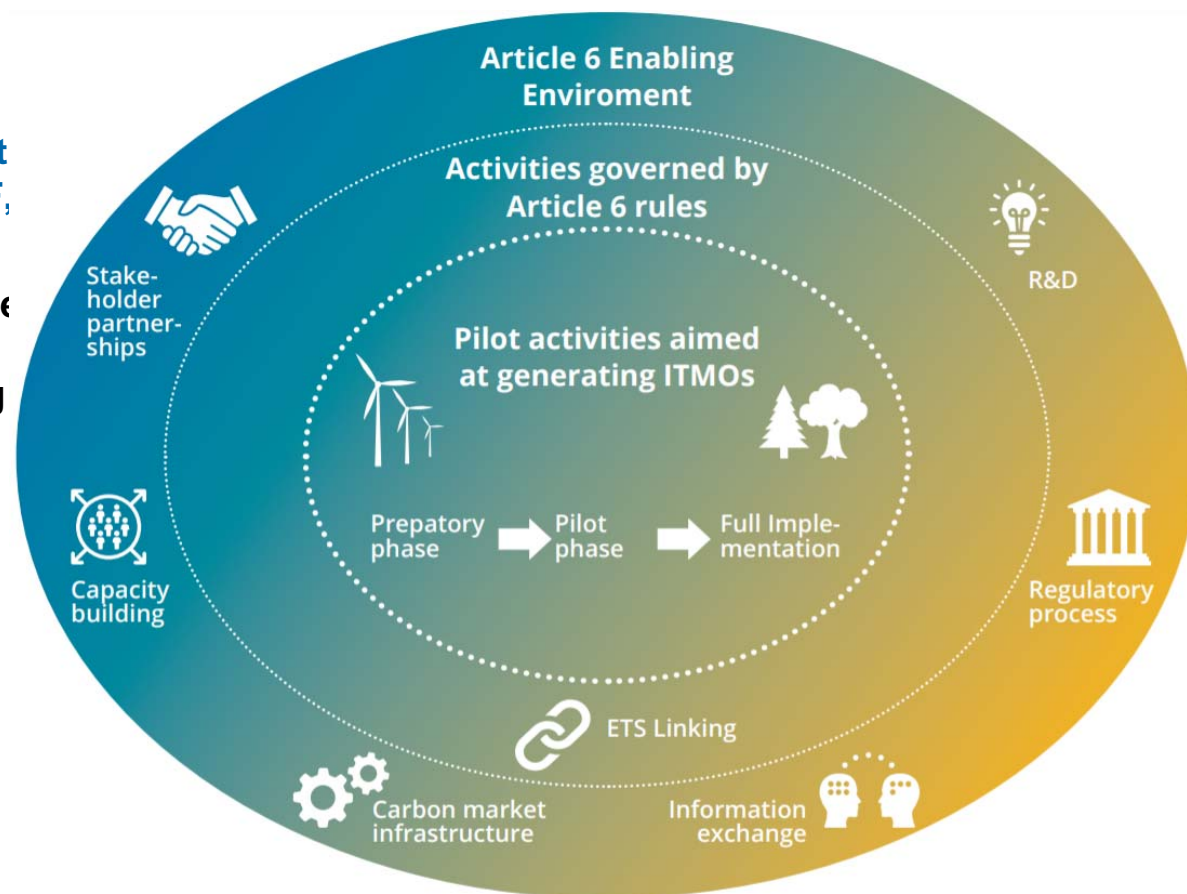
The world map of Article 6 pilots

- Increasing # of pilots, with focus on **Art. 6.2** (partly due to unavailability of Art. 6.4)
- Strong focus on **Africa**



Concentric ring model of Article 6 piloting

- **The innermost circle:** Article 6 pilot activities focused on implementing crediting activities that aim at eventually generating ITMOs and ABs: **ABM, Canada-Chile Programme, EBRD, BMU Pilot Activities, JCM, NEFCO, SEA Pilot Activities, CCF, KLIK, SCF, TCAF**
- **The middle circle:** initiatives that will eventually be governed by Article 6 rules, however, may not have been set up with the intention of functioning under Article 6: **Linking ETS**
- **The outer circle:** Article 6 enabling initiatives aiming at creating favourable framework conditions for implementing Article 6 piloting including: **ADB Article 6 Support Facility, ADB ITMO, BMU initiatives, GGGI & SEA, WAA and EAA on Carbon Markets and Climate Finance, WBG Climate Market Club, WBG – CPF, WBG – PMI, WBG – Warehouse Facility**
- **Hybrid undertakings:** e.g. the Standardized Crediting Framework (SCF)



Scale of cooperation and level of investment

A baseline-and-credit approach has been adopted by all pilots

Currently, CO₂e is the only metric envisaged

~USD 1.4 billion have been made available to date.

Programmatic / Project scale	Sectoral scale	Policy scale
AfDB: <i>ABM</i>	Canada-Chile: <i>Organic recycling programme</i>	Japan: <i>JCM</i>
Japan: <i>JCM</i>	EBRD: <i>SEMED</i>	World Bank: <i>TCAF</i>
Switzerland: <i>CCF</i>	NEFCO: <i>Peruvian pilot</i>	<i>ETS Linking</i>
Switzerland: <i>KliK</i>	Sweden: <i>SEA Chilean pilot</i>	
Germany: <i>BMU 'TD-Losses' Pilot</i>	Switzerland: <i>KliK</i>	
World Bank: <i>SCF</i>		



Sectors targeted by Pilots

- Many pilots target the **energy supply sector**: decentralised solar minigrids, geothermal, domestic biogas digesters
- **Energy demand sector**: energy efficiency in industry and households, production plants, buildings and appliances such as improved cook stoves

Energy supply



Japan: *JCM*
Sweden: *SEA*
Chilean pilot
Switzerland: *KliK*
Germany: *BMU*
'TD-Losses' pilot
EBRD: *SEMED*
World Bank: *SCF*

Energy demand



Japan: *JCM*
Switzerland: *CCF*
Switzerland: *KliK*
EBRD: *SEMED*
World Bank: *SCF*

Waste



Canada-Chile:
Organic recycling programme
NEFCO: *Peruvian pilot*
Switzerland: *CCF*
Japan: *JCM*
Switzerland: *KliK*

Transport



Switzerland: *CCF*

Land-use



AfDB: *ABM*
Switzerland: *KliK*

Figure 8: Targeted sectors

Source: Authors

Stakeholder experience and insight

- **Piloting activities have progressed in their development but the **pace of new initiatives has slowed down****
 - **Failure to agree on Art.6 rules** at UNFCCC level
 - **Number of countries that are driving Article 6 piloting remains small** with only few active early movers: Japan, Switzerland and Sweden
 - Waiting for the emergence of **'lighthouse activities'** - Switzerland and Peru (FOEN 2020)
 - **COVID-19 pandemic** has led to the **delay of some pilots** but not halted them completely
- **Host countries are entering agreements with caution**
 - **Transferring countries have more to lose** in terms of 'mitigation assets'
 - Host countries take their **unconditional NDC targets seriously**
 - **Asymmetric distribution of information** observable between host countries and buyers
- **Pilots face multiple barriers but **no deal-breakers****
 - Essential **engagement** is required **from all stakeholders** to build the necessary capacities
 - **Number of transferring countries** will stay **limited** before UNFCCC rules have become clearer

Stakeholder experience and insight II

- Pilots deliver **diverse and creative approaches** to baseline setting and additionality determination
 - How far mitigation programmes should be credited for reductions against business-as-usual (BAU)?
- Pilots are **robust** even against the continuing uncertainty of the Article 6 Rulebook
 - **San José Principles** could become the **de facto reference framework** for key piloting actors on the buyer side
 - Full implementation possible based on **para 77d of the transparency decision 18/CMA.1**
- A **prolonged failure** to establish clear rules for Article 6 would jeopardise the legitimacy of international carbon markets
 - **Scale of international carbon markets** would be **reduced** due to their limitation to bilateral initiatives with a fragmented character
 - **CDM transition** and demand for **voluntary carbon market activities** could potentially lead to a **rapid build-up** of Art. 6 pipeline once rules and criteria have been agreed



Thank you!

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