



Article 6 Implementation

EU Perspectives and Challenges

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Glasgow Agreement - Finally

- Welcome agreement of the rule book! And particularly
 - Clear accounting rules for all compliance uses
 - Mechanism directed towards ambition
- Significant implementation challenges for all parties!
 - Need for to prepare reporting and infrastructure
 - Need to evaluate cost and benefits of participation in Article 6
- Carbon Markets a means to an end not an end in itself

Maintaining and Enabling Ambition

Article 6.2

Provision for reporting and infrastructure requirements

Clear Accounting rules for ITMOS – those used towards NDC and CORSIA - need for corresponding adjustment in all cases (including 6.4)

Clear Integrity Requirements for Cooperative Approaches

Provision for International Registries

Provision for Capacity Building

Article 6.4

Provision for Article 6.4 Mechanism **with a focus on Paris Goals host country interests**

Article 6.4 mechanism may issue units, with and without authorisation and adjustment –

Article 6.4 can be dedicated to other uses, and an adjustment can be authorised to address double counting concerns in voluntary markets

Provision for International Registries

Provision for Capacity Building

Means to and End – The Challenge of Demand

- Significant Overall Cuts in Emissions and Enhancement of Removals by Mid-Century
 - Global CO2 emissions are about 36 billion tonnes per year IPCC
 - Global budget of 400 billion tonnes will last just 11 years if no reductions are made, i.e. until the end of 2030
- Current Targets and Prices fall short of what is need to deliver this Paris Goal
 - WB (2021) estimates \$40-\$80 requires - 3.76% of emissions covered by price \$40 and above
 - EU allowance currently 90 euros per tonne – EU 8% of global emissions (ETS 41% of emissions) EEA
- Use and Generation of Offsets limited by demand and need for domestic action
 - CORSIA – Demand estimates depends on decisions on baseline, and implementation by countries – effectively no demand? WB 2021
 - Voluntary markets 239.3 million credits in 2021 reflecting a 58% growth in credit volume of 27% over 2020 performance (up from 188.2 million credits transacted). WB 2021

Capacity Building – Identifying Priorities

- Glasgow CDM Decision Provided
 - 30 million to Rapid Implementation of Article 6.4, and
 - 10 million for Article 6.4 Capacity Building
- EU Dedicated Support to Implementation i.e.
 - NDC Implementation
 - German International Climate Initiative - Ambition - NDC Alignment in Hosts
 - European Commission – additional money for Article 6 Implementation

The EU has Domestic Climate Goals.....

Legislative Background

EU Climate Law – Target Driven Policy

Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') Article 2

Climate-neutrality objective

1. Union-wide greenhouse gas emissions and removals regulated in Union law **shall be balanced within the Union at the latest by 2050**, thus reducing emissions to net zero by that date, and the Union shall aim to achieve negative emissions thereafter.
2. The relevant **Union institutions and the Member States shall take the necessary measures at Union and national level, respectively, to enable the collective achievement of the climate-neutrality objective set out in paragraph 1**, taking into account the importance of promoting both fairness and solidarity among Member States and cost-effectiveness in achieving this objective.

EU Climate Law – 2030 Target

Article 4

1. In order to reach the climate-neutrality objective set out in Article 2(1), **the binding Union 2030 climate target shall be a domestic reduction of net greenhouse gas emissions (emissions after deduction of removals) by at least 55 % compared to 1990 levels by 2030.**
2. When implementing the target referred to in the first subparagraph, the relevant **Union institutions and the Member States shall prioritise swift and predictable emission reductions** and, at the same time, enhance removals by natural sinks.
3. In order **to ensure that sufficient mitigation efforts are deployed up to 2030**, for the purpose of this Regulation and without prejudice to the review of Union legislation referred to in paragraph 2, **the contribution of net removals to the Union 2030 climate target shall be limited to 225 million tonnes of CO₂ equivalent.** In order to enhance the Union's carbon sink in line with the objective of achieving climate neutrality by 2050, the Union shall aim to achieve a higher volume of its net carbon sink in 2030.

EU 2030 “Package” Fit for 55% in 2030

- Increasing the ambition of EU emissions trading
 - Aviation and the EU ETS.
 - Social Climate Fund
- Increasing the ambition of the EU’s Effort Sharing Regulation
 - Land Use, Forestry and Agriculture
 - CO₂ emission performance standards for cars and vans

But, the EU will also participate Article 6

Linked Emissions Trading

CORSIA Implementation

Potential Voluntary Demand

EU Use of Article 6

- **Linking of Emissions Trading** – how to account for mitigation outcomes delivered as a product of allowance transfer - Switzerland
- **Implementation of CORSIA** – ensuring that emissions are offset with adjusted for emissions reductions or removals – Aviation ETS Proposal
- **Potential Demand for Voluntary Purposes**
 - Private Sector - Driven by Net Zero and Carbon Neutrality target but limited by public concern with greenwashing and double counting (Corporate Reporting Standards)
 - Public Sector Potential of additional voluntary purchases and results based payments based on certification of outcome under Article 6.4 (Additional MS Policies)

Linking Emissions Trading

Agreement between the European Union and the Swiss Confederation on the linking of their greenhouse gas emissions trading systems OJ L 322, 7.12.2017, p. 3–26

Article 4 para 5. Parties shall account for net flows of allowances **in accordance with UNFCCC approved principles and rules for accounting following their entry into force.** This mechanism shall be determined in an Annex to this Agreement adopted by decision of the Joint Committee.

Currently Exploring Options for implementation following adoption of rules

Reporting and Infrastructure requirements

Establishing a basis and schedule of transfers

CORSIA – EU ETS Amendments (Proposal)

Para 11a

Aircraft operators...shall be able to use the

a) credits authorised by parties participating in the mechanism established under Article 6(4) of the Paris Agreement;

(b) credits authorised by the parties participating in crediting programmes which have been considered eligible by the ICAO Council

(c) credits authorised by parties agreements pursuant to paragraph 5;

(d) credits issued in respect of Union level projects pursuant to Article 24a.

Para 11 a

Units referred to in paragraph 1, points (a), (b) and (c), may be used **if arrangements are in place for authorisation** by the participating parties, **timely adjustments are made** to the reporting of anthropogenic emissions by sources and removals by sinks covered by the nationally determined contributions of the participating parties, **and that double counting and a net increase in global emissions are avoided.**

Voluntary Markets – Relevant Initiatives

- **Non-Financial Reporting Directive (NFRD)** – lays down the rules on disclosure of non-financial and diversity information by certain large companies. Developing Climate Related Reporting
- **Green Claims Initiative = Proposals this year.**
 - **Revision of EU consumer law** to empower consumers for active participation in the green transition
 - **Sustainable product policy initiative**
 - **Proposals on Certification of Removals**

Last but not least

EU Reporting and Infrastructure for Article 6

- **Regulation (EU) 2018/1999 on the Governance of the Energy Union and Climate Action**
- Internal and External Reporting of the EU under the Transparency Framework
- Provision for implementation of Paris Related Registry

Thank you



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