

# IGES Seminar on the Joint Crediting Mechanism

## Recent development in Article 6 PA towards carbon neutrality



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1. Background
2. Current Portfolio
3. Program Examples
4. Outlook

# 1. Background

## The KliK Foundation

- **International obligation (NDC):** minus 50% until 2030 (basis 1990), minimum 30% domestic
- **Swiss CO<sub>2</sub> act** obliges motor fuel importers to offset part of the transport emissions
- **KliK Foundation (KLiK)** founded by motor fuel importers to handle this obligation:
  - 2013-2020: ~**6.5m tCO<sub>2</sub>e** domestic
  - 2021-2030 (tbc): ~**25m tCO<sub>2</sub>e** domestic / ~**35m tCO<sub>2</sub>e** international through acquisition of **internationally transferred mitigation outcomes (ITMOs)**

# 1. Background

## Means for Compliance

- Mechanisms for **ITMO programs** (Article 6)
  - Art. 6.4: central UN mechanism (pending)
  - Art. 6.2: bilateral cooperation (operational)
- Programs framed by **bilateral agreements (BA)**
  - Avoidance of double counting through corresponding adjustments (CA), sustainable development
  - Raising of ambition through cooperation
- **Additional requirements** from CO<sub>2</sub> act
  - No fossil fuel lock-in, financial additionality...

# 1. Background

## Acquisition Process

- **Call for Proposals (CfP)** to acquire suitable programs capable to generate ITMOs (Third CfP closed recently)
- **Early expression of interest** by host country and Switzerland in program and BA
- **Further development** of selected programs financed by KliK (100k-200k CHF)
- KliK and program owner **enter contract for purchase/sale** of ITMOs after BA signed (Peru and Ghana signed BA)
- **Authorization, implementation and operation** of program  
→ periodic verification and issuance of ITMOs.

# 1. Background

## Scope of Programs

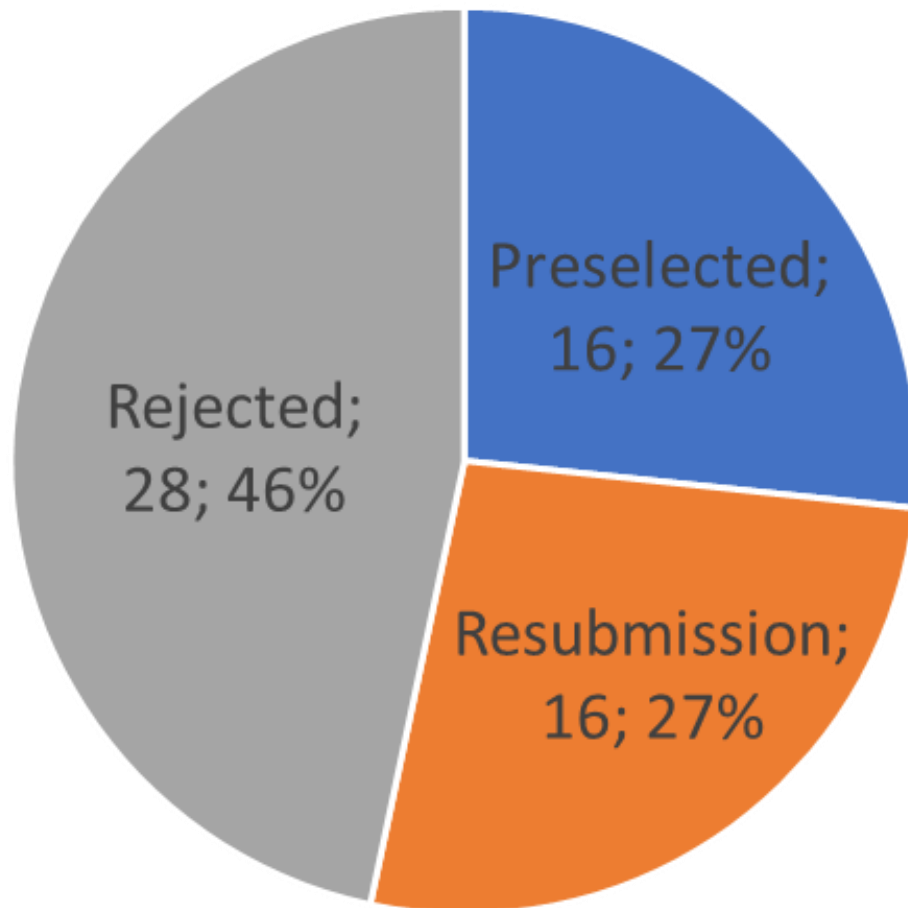
- **Basis**

- Swiss CO<sub>2</sub> act, Paris Agreement / Rulebook
- Human rights and sustainable development
- Environmental integrity, GHG mitigations must be “real, verifiable and permanent”

- **Technologies affected**

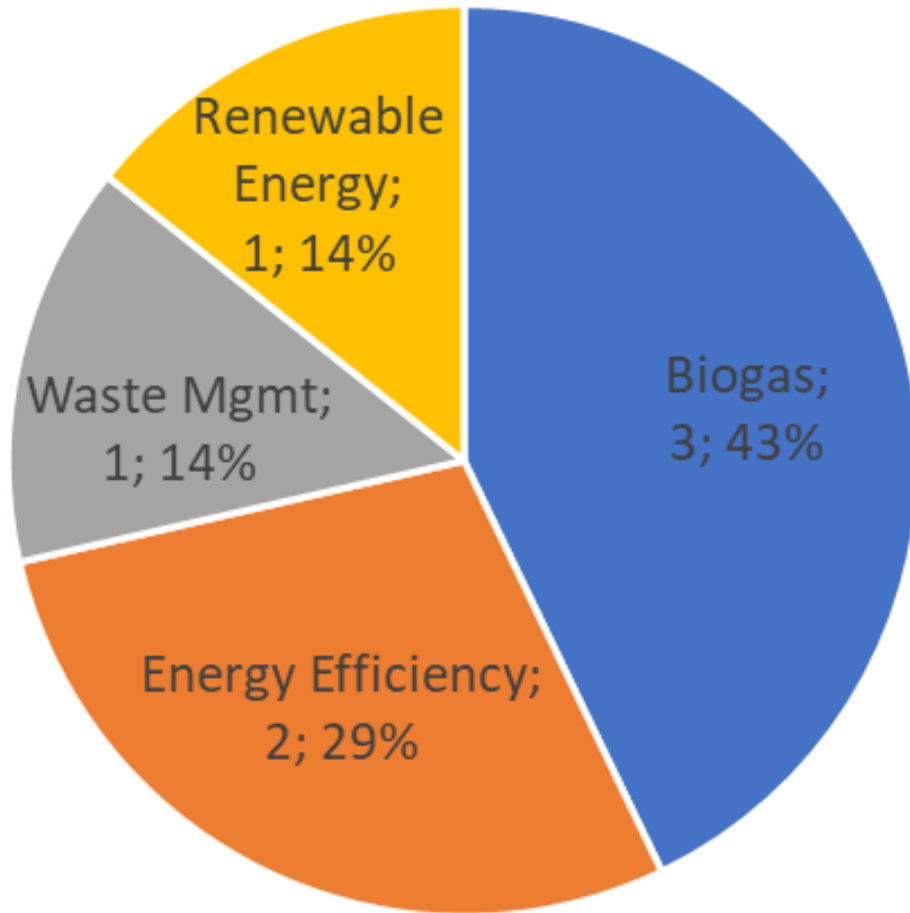
- No nuclear, power generation with fossil fuels
- No REDD+ or LULUCF (biological sequestration)
- Demand side energy efficiency with fossil fuels

## 2. Current Portfolio Overview



- In 2 CfPs **60 programs** received
- **28 programs** rejected because not met CfP requirements (e.g. financial additionality, not additional to NDC)
- **16 Programs** comply with requirements but design changes required
- **16 Programs** preselected, of which **7 under development**

## 2. Current Portfolio Technologies



- 7 programs include:
- **Biogas** for cooking and power/heat generation in Senegal, Morocco and Mexico
- **Energy efficiency** measures in Morocco and Peru
- Improve of **waste management** system in Senegal
- **Solar photovoltaic** in Ghana



# 3. Program Examples

## Green Credit Line for SMEs, Peru

- Through the **de-risking** of local banks through guarantees from KliK, Peruvian companies gain access to affordable loans for **energy efficiency** and **fuel switch** measures
- **Detailed program structuring** in preparation (methodology, institutional setup, business case)
- **Bilateral Agreement** between Peru and Switzerland signed
- ITMO volume: **~0.75m tCO<sub>2</sub>e**
- Term: **2022-2030**



# 3. Program Examples

## National Clean Energy Program, Ghana

- The National Clean Energy Program (NCEP) is designed to **improve access to clean and affordable energy** through results-based payments and secured concessional loans
- **Detailed program structuring** in preparation (methodology, institutional setup, business case)
- **Bilateral Agreement** between Ghana and Switzerland signed
- ITMO volume: **~0.75m tCO<sub>2</sub>e**
- Term: **2022-2030**



- **Article 6 PA** provides strong mechanism for efficient GHG mitigation → Rulebook to be finalized at COP 26
- Further **programs to be developed** and bilateral agreements to be signed with Switzerland this year
- **Authorizations** of first programs under BAs and implementation expected in 2022
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