



# Article 6 of the Paris Agreement

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**CMW Webinar**

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# Context?

- Under **Paris Agreement**, all Parties agree to pursue temperature limitation goal of 1.5° C
- **IPCC 1.5° C Special Report** –greater temperature risks greater impacts, tipping points; consistency with this goal requires achievement of net zero by around 2050
- **UNEP Gap Report** – NDCs not consistent with Paris goals, far greater ambition needed between now and 2030
- Offsetting will not get us to net zero
- Article 6.4 (d) – the mechanism “shall aim” to deliver an overall mitigation in **global** emissions
- All Parties now have NDCs – offsets do not deliver **global** mitigation

# AOSIS Priorities

## 1. Ensure environmental integrity – do not undermine existing NDCs

- Common international accounting framework, centralised oversight
- Limit Article 6 activities to inside scope of NDCs
- Corresponding adjustments for both 6.2 and 6.4; no temporal exclusions from corresponding adjustments
- No carryover of units from KP, no banking – protect NDC ambition and create space for new projects
- CORSIA – corresponding adjustments required

## 2. Use Article 6 to deliver more mitigation and adaptation ambition – all available tools are needed to deliver PA goals

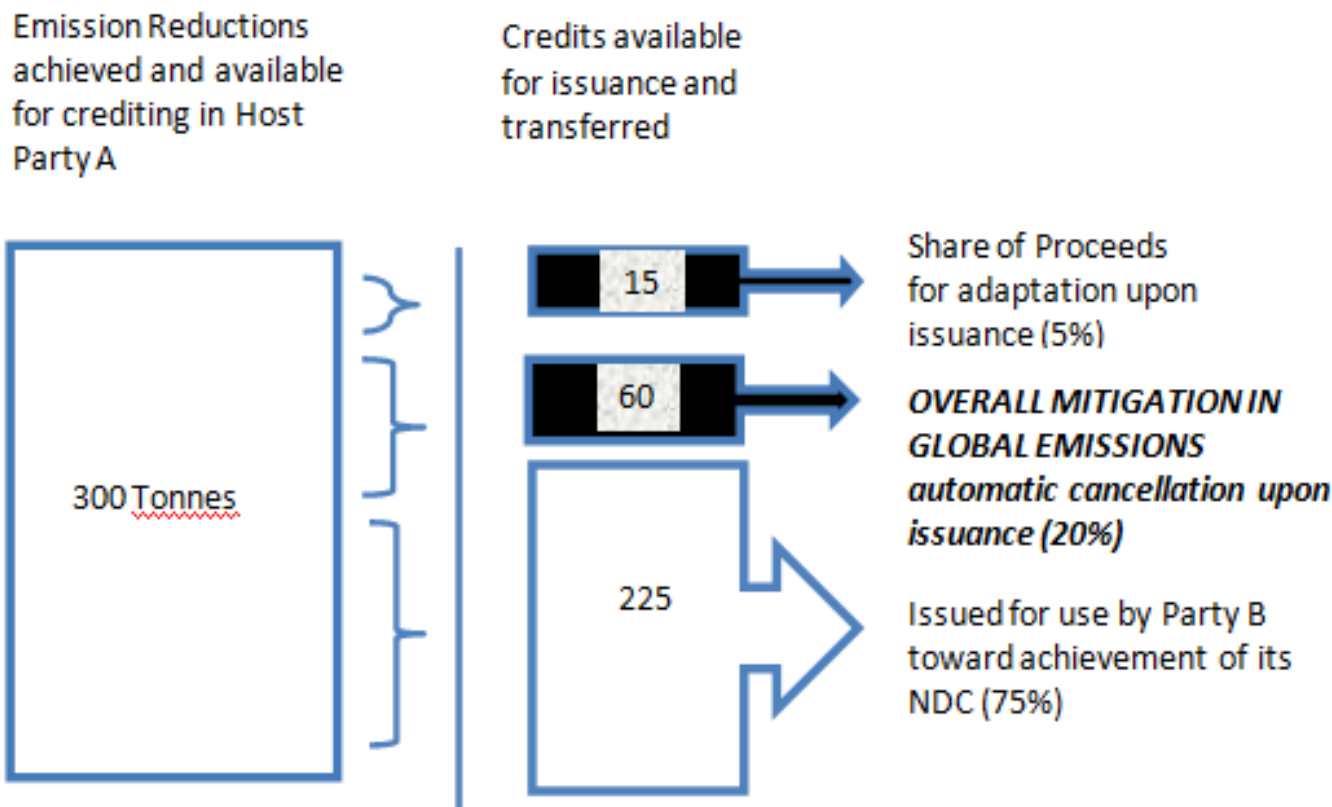
- IPCC Reports - next 10 years are key for 1.5 C limit – pure offsetting will not help; impacts accelerating
  - OMGE % cancellation/discount on 6.4 and 6.2, paired with adjustment in Host Party – deliver net global emission reductions through A6 design
  - Share of proceeds for adaptation (Art. 6.6) – SOP % on 6.4 and 6.2

# AOSIS Submission on Arts 6.2 and 6.4 of the Paris Agreement

## 27 April 2017

### Overall mitigation in global emissions through fixed percentage cancellation of units

*Example if 20% cancellation for overall mitigation, 5% for share of proceeds for adaptation, 300 tonnes of verified reductions achieved in the Host Party were assumed*



# Overall Mitigation in Global Emissions

- **Why?: Art 6.4(d):** mechanism “shall aim to deliver” an OMGE; Art. 6.2 for balance
  - process whereby 1 tonne of reductions in one country continues to enable 1 tonne of emissions in another country will not take us toward net zero
  - generating OMGE justifies UNFCCC involvement, enhances credibility of offsets, acceptability of use
- **Process** - a fixed % of offset credits are cancelled at issuance under 6.4 and 6.2; accounting rules ensure that host country applies a corresponding adjustment for all offset credits issued; buyer applies adjustment for number of credits acquired
- **Why use % cancellation/discounting?** - easy to apply, no differentiation among project types or Parties needed; can point to a quantum delivered
- **Price and volume effects** – price increases, volume transacted decreases
- **Project owners** – higher profits, as increase in credit prices outweighs effect of receiving fewer credits; increases internal rate of return for projects
- **Host countries** – benefit as more projects take place; higher prices enhance feasibility of more costly mitigation options
- **Buyers of credits** – pay more for credits, but typically still pay less than domestic abatement; maximum price increase is limited (e.g., 10%, max price increase 11%; OMGE of 20%, max price increase of 25%)
- **Non-host countries** - benefit from additional abatement

# Lessons learned from Kyoto Protocol

- Efficiency of flexible mechanisms alone did not produce more ambition
  - CDM – offsetting only; did not produce net global reductions; questions raised about additionality
  - Joint Implementation – offsetting only; hot air undermined delivery of quantified targets
  - International Emissions Trading – offsetting only; transfers of hot air undermined targets
- Resulting credibility challenges, low prices