



Transitioning to a new era of flexible mechanisms for increased ambition

Opportunities and safeguards for ambition raising through Article 6

COP24 Side Event

Carsten Warnecke, NewClimate Institute

Katowice, 04 December 2018

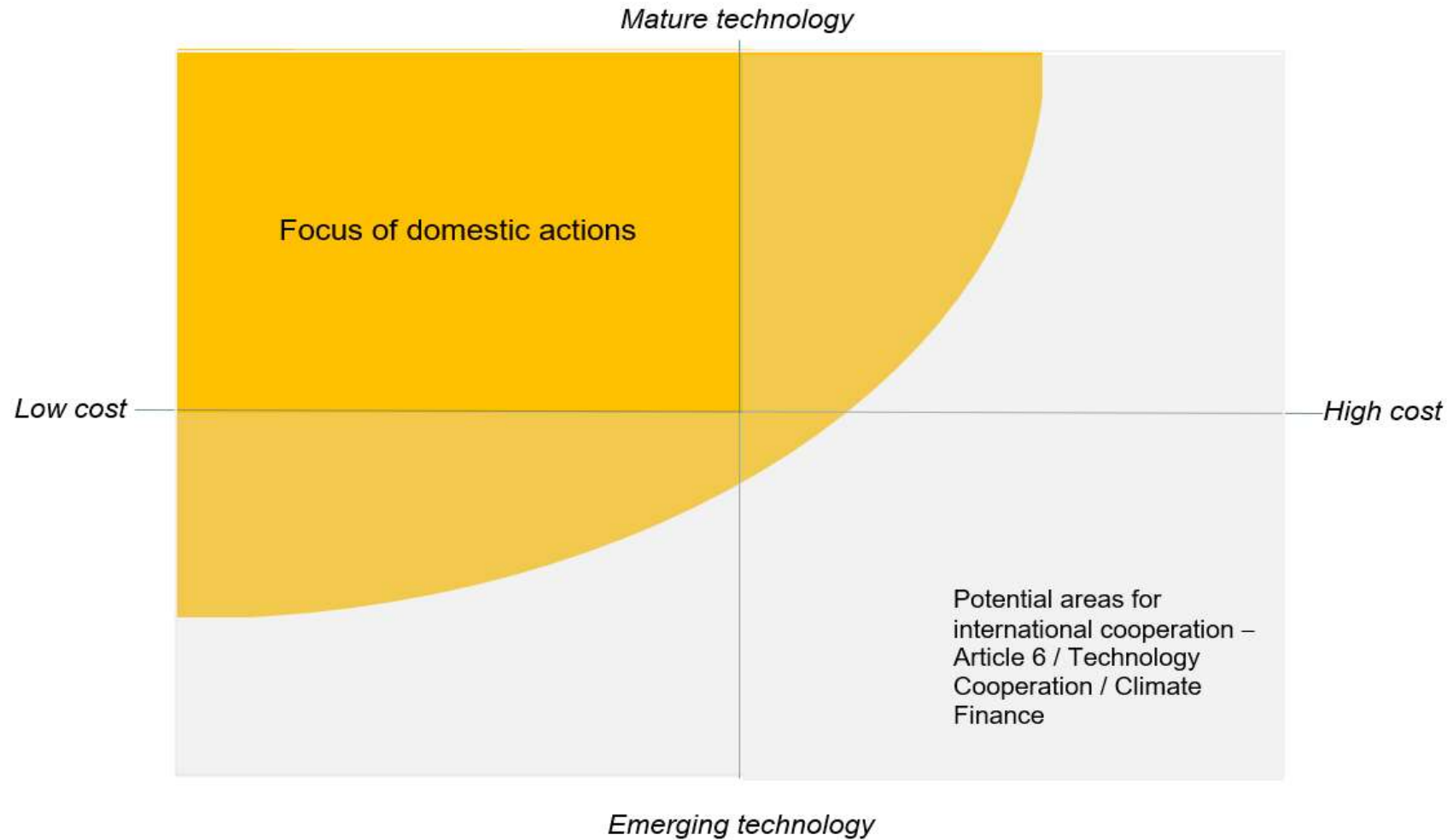
Ambition raising in the PA

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- » Fundamental difference to the Kyoto Protocol:
all Parties are now expected to contribute to the global effort, peak their own emissions as soon as possible, reduce emissions thereafter, and decarbonize their economies in this century
 - » Ambition raising measures in the Paris Agreement meant to close the gap between NDCs ambition and PA goals
 - Call for a “progression” of countries’ efforts over time (Article 3 and 4.3)
 - Each contribution should reflect a country’s “highest possible ambition” (Article 4.3)
 - Each successive NDC should go “beyond” the previous NDC (Article 4.3)
 - Countries can update and improve their NDCs at any time (Article 4.11)
 - Are expected to communicate a new NDC at least every five years (Article 4.9)
 - » Dynamic NDCs vs. static Kyoto targets

Ambition raising in Article 6

- » Voluntary cooperation should lead to “... the implementation of their NDCs to allow for **higher ambition** in their mitigation and adaptation actions...” (Article 6.1)
- » Cooperation under Article 6 must enable host countries of mitigation activities to **reach and overachieve current mitigation efforts** without undermining current and future ambition of domestic action
- » NDCs should already consider accessible abatement options; ITMO transfer requires *corresponding adjustments* while transferring countries have own mitigation targets now or in the future
- » Article 6 could enhance ambition by **driving mitigation in inaccessible abatement options**

Inaccessible technologies



Country perspective

- » Challenge to define (a) **measures reserved for own action** to efficiently and cost-effectively achieve their own Paris compatible NDC and (b) scope for **measures internationally supported** through Article 6 cooperation
 - » Using carbon markets (e.g. for “grey zone technologies”) must be assessed against opportunities to domestically circumvent barriers and other cooperation under the PA (e.g. climate finance and technology framework)
 - » Governments should take an **active role** in identifying sector proposals eligible for investment through Article 6 and/or define exclusion lists
 - » Support should last for a limited timeframe only to allow Parties to flexibly **reassess inaccessibility**
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Risks for Ambition Raising

Disincentives and undesirable impacts for originating Parties must be overcome:

Domestic target setting and policy enactment

Incentives to increase domestic ambition and enact policies could be restricted due to an effective increase in the marginal abatement costs of domestic action, associated with the opportunity cost of foregoing ITMO use.

NDC scope extension

Incentives for originating Parties to extend the scope of their NDCs to economy-wide targets could be restricted

Baseline inflation

Parties may face perverse incentives to inflate projected emission baselines in NDCs

Safeguarding ambition through **participation eligibility**

Safeguards	Opportunities and risks safeguarded
Rule based safeguards for participation-eligibility	
<p>A. Participation in Article 6 mechanisms could be restricted to Parties who have developed and communicated long term mitigation strategies that explicitly identify the role of ITMOs in their implementation.</p>	<p>Ensure that Parties approach Article 6 mechanisms strategically to maximise opportunities and have awareness of all relevant implications.</p>
<p>B. Participation in Article 6 mechanisms could be restricted to Parties with economy-wide targets or rules for the ITMO-eligibility of actions could be made irrespective of NDC scope definitions.</p>	<p>Avoid potential disincentives for future NDC scope extensions; and in contrast provide concrete incentives for moving to economy-wide targets.</p>

Safeguarding ambition through **rules for ITMO-eligibility**

Safeguards	Opportunities and risks safeguarded
Rule based safeguards for ITMO-eligibility	
<p>C. An objective set of criteria could be established to determine positive and negative lists for inaccessible actions.</p>	<p>Ensure that Article 6 mechanisms target the high-hanging fruit <i>exclusively</i>, to maximise the potential ambition raising opportunities in host countries and avoid creating</p>
<p>D. International benchmarks could be used to assist with the determination of ITMO eligibility for actions in the “grey zone”.</p>	<p>perverse incentives for treatment of more accessible mitigation options.</p>
<p>E. The period for which ITMO-eligible mitigation actions remain eligible should be finite and could be aligned with the period of NDC cycles.</p>	<p>Ensure that the ability to target high-hanging fruit exclusively is maintained over time and that the role of Article 6 mechanisms in long-term national strategy for the ambition cycle can be easily planned for.</p>
<p>F. The volume of ITMOs available to trade for any originating Party could be limited by baselines based on emissions levels achieved in previous NDCs.</p>	<p>Avoid perverse ambition incentives by creating a market only for units that increase future NDC ambition in the long-term.</p>

Safeguarding ambition

through **capacity building and exchange**

Safeguards	Opportunities and risks safeguarded
Safeguarding ambition through international support for capacity building and exchange	
<p>G. International support for Article 6 readiness could assist countries to build the information and evidence to support ambition target setting.</p>	<p>Improve the enabling conditions for originating Parties to set ambitious NDC targets.</p>
<p>H. International support for Article 6 readiness could assist countries in the objective identification of domestically inaccessible technologies and actions for ITMO-eligibility.</p>	<p>Improve the enabling conditions for originating Parties to effectively identify the national circumstances for the high hanging fruit and ITMO-eligible actions that will support national ambition raising objectives.</p>

Conclusions

- » Parties need to create frameworks to **channel markets** towards building their capacities for **NDC progression**
- » **Limiting Art 6** use to technologies / abatement options that are genuinely *inaccessible* through own domestic efforts is key
- » Robust design & implementation of **safeguards** is needed **to avoid disincentives** & undesirable impacts.
- » **Ensuring that safeguards are watertight** is not only **in the interest** of the international community as a whole but also the individual participating Parties.

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- » Opportunities and safeguards for ambition raising through Article 6
<https://newclimate.org/2018/05/09/opportunities-and-safeguards-for-ambition-raising-through-article-6/>
 - » Operationalising an ‘overall mitigation in global emissions’ under Article 6 of the Paris Agreement
<https://newclimate.org/2018/11/21/operationalising-an-overall-mitigation-in-global-emissions-under-article-6-of-the-paris-agreement/>
 - » Marginal cost of CER supply and implications of demand sources
<https://newclimate.org/2018/03/22/discussion-paper-marginal-cost-of-cer-supply-and-implications-of-demand-sources/>

Thank you for your attention!!