



## Event Report, 4 December 2018

### COP24 Side Event: **Transitioning to a New Era of Flexible Mechanisms for Increased Ambition**

In light of the potential impacts of old Kyoto mechanisms on the Paris Agreement, it is critical to learn from past experiences to ensure stringent environmental and social rights-based safeguards, including an improved governance structure to prevent harm.

This side event discussed and reflected how to transition towards a new system for international transfers under Article 6, and how to ensure these tools contribute to reducing overall emissions and promoting sustainable development.

The event was kindly hosted in Warmia Room during COP24 in Katowice.

Well attended by various stakeholders, this event discussed the potential for new market mechanisms to contribute to an increase in ambition, by designing markets which achieve real emission reductions while promoting sustainable development and protecting human rights.

*Below is a summary of the presentations and discussions:*

The debate was moderated by **Erika Lennon from the Center for International Environmental Law (CIEL)**.

**Mr. Carsten Warnecke from NewClimate Institute** explained the importance to identify the different changes between the Kyoto Protocol and the Paris Agreement for transitioning flexible mechanisms.



- Do we really want to transfer problems and challenges from the Kyoto Protocol into the Paris Agreement?
- Under the Paris Agreement, all Countries 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.
- In order to reach and overreach current mitigation efforts, the markets under Article 6 could enhance ambition by driving mitigation without undermining future and current

ambition of domestic actions. This can be achieved by restricting article 6 activities to those which would otherwise not be accessible for domestic mitigation actions, i.e. the “high hanging fruits”.

- There are some risks for ambition raising, such as domestic target setting and policy enactment, NDCs scope extension, and baseline inflation.
- Need to avoid disincentives and undesirable impacts to NDCs progression through strong safeguards for ITMOs eligibility, participation eligibility, capacity building and exchange.
- Ensuring these safeguards are not only in the interest of the international community as a whole, but also of the individual participating Parties.

**Mr. Gilles Dufrasne from Carbon Market Watch** warned that not looking back to the CDM lessons and past experiences can undermine the Paris Agreement.

- There are three main reasons why the CDM should end:
  - i. It undermined domestic climate action, impacting negatively the climate through an overall increase in emissions;
  - ii. It is an offsetting mechanism by simply shifting the emissions from one country to another;
  - iii. It lacks basic social and environmental safeguards, leading to examples of environmental harm and human rights violations (e.g. the Barro Blanco project).
- How to prevent the CDM to waterdown the Paris Agreement? The first step is to not allow any CDM credit to replace domestic mitigation actions. Furthermore, all CDM projects need to be reassessed with stringent social and environmental criteria based on Article 6.4 before being transitioned post-2020.
- The past CDM experiences helped us to understand three main important lessons:
  - i. CDM shows the risk of double-counting. To avoid this, a transparent tracking of all units through a public, accessible transaction log as well as a rigorous corresponding adjustment for all units transferred (including outside the UNFCCC mechanisms) are required;

- ii. A discount/cancellation rate is necessary to achieve overall mitigations;
- iii. It is essential to implement minimum safeguards with detailed rules for local stakeholders' consultations as well as a grievance mechanism governed by an independent body.

**Mr. Alberto Saldamando from the Indigenous Environmental Network** outlined the problems posed to Indigenous Peoples by market mechanisms' projects, such as the CDM and REDD+.

- CDM and REDD+ activities threaten Indigenous Peoples, their land, their forest, their culture, and their heritage without effectively reducing emissions.
- During the implementation of these projects, no proper stakeholders' consultations have been carried out. Rather, corruption, intimidation, absence of justice, arrests, militarization, assassination, environmental destruction, and human rights violations have been perpetrated leaving entire communities and families broken by promises.
- There is an urgency to recognize Indigenous Peoples and to enforce stringent social and environmental safeguards and clear rules for conducting local stakeholders' consultations.
- An independent Supervisory Body should be established not only for guaranteeing that market activities will not adversely impact local populations and other stakeholders, but also for ensuring an accurate and transparent accounting of emissions baselines and reductions.
- Current problem: How to quantify ITMO credits?



**Ms. Sophie Closson, the international carbon markets negotiator from Belgium,** laid out the challenges and difficulties of Article 6, especially concerning the CDM credits.

- The EU is strongly active in fighting against using the CDM credits after 2020, but several Parties are pushing to carry on the benefits from the CDM, especially in view of new demands from CORSIA.
- Lots of effort and commitment have been pushed in creating the “CDM sustainable development tool”, which is a qualitative tool on voluntary basis for assessing CDM projects. With this tool, some, but still few, achievements have been reached.
- The EU wants to improve the new mechanism under Article 6.4, especially the role of the Supervisory Body, stakeholders’ consultations and participation, the right to appeal, human rights safeguards, monitoring system, and stringent procedures for removing the authorization from harmful projects.
- Unfortunately, the negotiations are showing the difficulties in finding an agreement for Article 6 due to divergent views, political dimensions, discussions around the role of market and private sector, and lots of technicalities.
- Surely, an agreement for the whole Article 6 here in Katowice is not going to be achieved. However, the critical question is: How many issues under Article 6 will be postponed to the next year?

## Q&A Session

Questions and comments from the audience ranged from role of offsetting and how to justify additionality at project level, the impact of cancellation/discount of credits on overall mitigation, the role of non-market approaches under Article 6.8, and allowing crediting from inside/outside NDC scope in Article 6.

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