

# Article 6 and the EU

Implication and Implementation of Article 6 by EU

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# COP26合意に期待と警戒

英紙 タイムズ 13日に 連気候 約国会 アナリ 会議

見方によれば、合意できる内容としては最善だったとみる意見もある。市場や企業に与える影響については、アナリストも分析を続けている。ここではいくつか代表例を紹介したい。

米シェアーズの市場調査チームは「COP26は、約束と行動のギャップを大きくした」とレポートに記した。「大げさな注目を集めるような公約が多く発表されたが、実現するための具体的な行動プランはほとんど伴っていないからだ。特に、発展途上国向け

染拡大後、オンラインの医師らへの営業活動

20:31 epe.es 35%

AA volkskrant.nl

deVolkskrant

# Acuerdo en la cumbre de Glasgow: pactan una resolución final tras maratónicas negociaciones

La falta de acuerdo en algunos de los puntos críticos alargó un día más de lo previsto la COP26



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## Headlines

6°C

gevaardigden op de klimaatop omhelzen kaar. Beeld REUTERS

Thread

Greta Thunberg @GretaThunberg

**Cop26 / Count** #COP26: GREENWASH ALERT!

**'imperfect' clin**

**Live** Cop26 agreemer coal resolution

**Analysis** The goal of: but only just

The fossil fuel industry & banks caused are among the biggest climate villains. Now @Shell @BP & @StanChart are here in Glasgow trying to scale up offsetting & give polluters a free pass to keep polluting. Their plan could trash the 1,5°C goal.

1/5

3:28 pm · 3 Nov 2021 · Twitter for iPhone

et eindresultaat. 'Maar laat het betere et de vijand van het goede zijn. Dit is en belangrijke stap in de juiste chting.'



# Article 6 Recap - 3 elements

- Article 6.2 Accounting Rules and Bilateral Trading
  - Provision for accounting through “adjustments” for all compliance units
- Article 6.4 A Mechanism to Generate Credits
  - Provision for Paris Consistent Crediting - but \*carry over KP credits and projects
  - Units for Compliance *must* be adjusted, Use towards other purposes *may* be adjusted
- Article 6.8 A Work Programme to promote non-Market cooperation
  - Provision for exchange and recommendations on non-Market cooperation
  - Looking for synergies and efficiencies

# EU and 6.2 Accounting for Compliance

- Relevant to
- ETS Linking – e.g Switzerland , and to use of ETS by countries outside EU NDC – e.g Norway
- Exercise of flexibilities under Effort Share and LULUCF Proposals involving countries outside the EU
- Relevant to MS proposals going beyond EU compliance targets

## Actions

- Need to Establish and Report an Indicative Trajectory or trajectories for EU emissions (Para 7a (i) Article 6.2)
- Need to provide for issue, retire and cancel units – Registry Regulation para 40 of GOVREG
- Need to establish and emissions balance and report adjustments – Part of the Implementation of Biennial Reporting Framework – needs work
- CORSIA implementation – Proposal on timely adjustment (Para 5 Proposal)
- Address UN work programmes on accounting and forestry (Para 3 decision on 6.2)

# EU and Article 6.4 – Use of Credits

## Relevant

- Use of Article 6.4 explicitly provided for under CORSIA proposal (as are other units) – (Para 5 Proposal)
- Use of Article 6.4 credits may be envisaged by MS
  - Results based finance
  - Additional voluntary targets

## Actions

- Address accounting requirements – see last slide
- Address view on pre 2020 carryover – new vintages
- Consider implications of new approach to baselines and additionality – in line with 1.5 – for
- Certification of Removals Proposals



# Article 6.4 Baselines and Additionality

## Para 33 Principles for Baselines

- align to the long-term temperature goal of the Paris Agreement,
- contribute to the equitable sharing of mitigation benefits between the participating Parties;
- align with its NDC, if applicable, its long term low GHG emission development strategy if it has submitted one

## Para 36 Baseline Approaches (in line with 33)

- (i) Best available technologies
- (ii) An ambitious benchmark approach
- (iii) An approach based on existing actual or historical emissions, adjusted downwards to ensure alignment with paragraph 33 above.

## Para 38 Addtionality.

....taking a conservative approach that avoids locking in levels of emissions, technologies or carbon-intensive practices incompatible with paragraph 33 above.

# Voluntary Markets - Accounting

- Decision does not explicitly address
- Clear that all Article 6.2 units whatever their use need to be adjusted (Para 1 of 6.2 Decision)
- Clear that Article 6.4 credits must be adjusted for compliance uses (NDCs and CORSIA) (Para 43 of 6.4)
- Clear that Article 6.4 units may be adjusted for “other purposes” but only when authorised (Para 42 and 44 of 6.4 Decision)
- Issues for consideration
- How should we clarify expectations in connection of adjustment when used for offsetting particular claims?
- Expectation that there should be no adjustments for results based finance, contribution claims, most domestic uses
- BUT Expectation that there should be an adjustment for offset claims/Climate Neutrality (Gold Standard)

# CBAM

- Receiving Questions regarding the Implications of Article 6 for CBAM
- Answer – Depends, but likely to be minimal, if any

**Does Article 6 set a standard for ETS “equivalence”?:** No, Article 6.2 is a set of accounting rules for international transfers such as the linking of ETS. Compliance with Art 6 does not indicate any equivalence between domestic ETS for the purpose of CBAM exemptions.

**Does participation in Article 6.4 help to reveal a “carbon price” for CBAM purposes?** No, hosting an Art 6.4 activity within a CBAM sector does not reveal a domestic carbon price for CBAM adjustment purposes, as the costs of the emissions reduction would be subsidised by the investor rather and incurred by the producer

**Can an Article 6.4ER be used to reduce the carbon footprint associated with a product for the purposes of calculating the number of CBAM units required from an importer?** Not as contemplated in the CBAM proposal.



# Adaptation Finance

## Provision of Finance

- Contribution to Adaptation finance of 5% share of proceeds for 6.4 (Para 66 and 67 of 6.4)
- Strong encouragement of contributions in respect of 6.2, with reporting (para 37 and 38 of the 6.2)

## Issues

Implications CORSIA implementation

EU already the largest donor by far the Adaptation Fund

Needs to ensured that our contributions are recognised

Need to ensure that they are appropriately reported.

# Thank you



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# Article 6.2 Guidance - Purposes

## Para 1

- (f) Mitigation outcomes authorized by a participating Party for use for international mitigation purposes other than achievement of an NDC (hereinafter referred to as international mitigation purposes) or authorized for other purposes as determined by the first transferring participating Party (hereinafter referred to as other purposes) (international mitigation purposes and other purposes are hereinafter referred to together as other international mitigation purposes);
- (g) Article 6, paragraph 4, emission reductions issued under the mechanism established by Article 6, paragraph 4, when they are authorized for use towards achievement of NDCs and/or authorized for use for other international mitigation purposes;

## Para 2.

- A “first transfer” is:
- (a) For a mitigation outcome authorized by a participating Party for use towards the achievement of an NDC, the first international transfer of the mitigation outcome; or
- (b) For a mitigation outcome authorized by a participating Party for use for other international mitigation purposes, (i) the authorization, or (ii) the issuance, or (iii) the use or cancellation of the mitigation outcome, as specified by the participating Party.

# Article 6.4 Guidance

- 42. The host Party shall provide a statement to the Supervisory Body specifying whether it authorizes A6.4ERs issued for the activity for use towards achievement of NDCs and/or for other international mitigation purposes as defined in decision -/CMA.3.6 If the host Party authorizes any such uses, the Party may provide relevant information on the authorization, such as any applicable terms and provisions. If the host Party authorizes A6.4ERs for use for other international mitigation purposes, it shall specify how it defines “first transfer” consistently with paragraph 2(b) of the annex to decision -/CMA.3.7
- 43. A6.4ERs may only be used towards NDCs or towards international mitigation purposes if they are authorized in accordance with paragraph 42 above. The host Party shall apply corresponding adjustments for such A6.4ERs first transferred in accordance with chapters IX (Avoiding the use of emission reductions by more than one Party) and X (Use of emission reductions for other international mitigation purposes) below and shall apply corresponding adjustments for the associated A6.4ERs levied for a share of proceeds in accordance with chapter VII below (Levy of share of proceeds for adaptation and administrative expenses) and cancelled for overall mitigation of global emissions in accordance with chapter VIII below (Delivering overall mitigation in global emissions).
- 44. The host Party shall apply a corresponding adjustment for A6.4ERs that are authorized for other purposes, in accordance with chapter X below (Use of emission reductions for other international mitigation purposes), and shall apply corresponding adjustments for the associated A6.4ERs levied for a share of proceeds in accordance with chapter VII below (Levy of share of proceeds for adaptation and administrative expenses) and cancelled for overall mitigation of global emissions in accordance with chapter VIII below (Delivering overall mitigation in global emissions).