

ROUND TABLE

COP-28 outcome and recommendations to Kazakhstan

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COP-28 and perspectives of Article 6.4 of the Paris Agreement

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Article 6 of the Paris Agreement

- Article 6 is a key part of the Paris Agreement. It allows Parties to:
 - voluntarily cooperate to meet their Nationally Determined Contributions (NDCs)
 - mobilize financial support for developing countries
- There are three tools under Article 6:
 - **Article 6.2:** Allows countries to exchange mitigation outcomes bilaterally and use them towards their nationally determined contributions (NDCs)
 - **Article 6.4:** Establishes a new mechanism for the validation, verification and issuance of high-quality carbon credits
 - **Article 6.8:** Provides opportunities for countries to cooperate towards the achievement of their NDCs without relying on carbon markets

About Article 6.4

- *“A mechanism to contribute to the mitigation of greenhouse gas emissions and support sustainable development is hereby established ... for use by Parties on a voluntary basis. It shall be supervised by a body designated by the Conference of the Parties serving as the meeting of the Parties to this Agreement ...”*
- Article 6.4 identifies and encourages opportunities for verifiable emission reductions, attracts funding to implement them, and allows cooperation among countries and other groups to conduct and benefit from these activities
- It can also be a source of climate finance for developing countries

About Article 6.4 (2)

- Rules, modalities and procedures for a carbon crediting mechanism have been adopted at the third Conference of the Parties serving as the Meeting of the Parties to the Paris Agreement (CMA) by Decision 3/CMA.3
- The CMA also designated a 12-member body (The Article 6.4 Supervisory Body) to supervise the mechanism under the authority and guidance of the CMA and be fully accountable to the CMA

Importance of a new mechanism defined in Article 6.4

- According to the Intergovernmental Panel on Climate Change (IPCC) a 43% reduction in greenhouse gas emissions by 2030 is needed to limit global heating to 1.5°C
- However, there is a stark disparity between this goal and current commitments in NDCs, which would increase emissions by 9% by 2030 compared to 2010 levels (UNFCCC Secretariat, 2023)
- The Article 6.4 mechanism can be a source of climate finance for developing countries
- Through this mechanism a company in one country can reduce emissions in that country and have those reductions credited, so that it can sell them to another company in another country

The process for Article 6.4

1. The process begins with project development and host country approval
2. Article 6.4 Emission Reductions (Article 6.4ERs) are generated
3. Article 6.4ERs are recorded in a registry
4. Article 6.4ERs are either transferred or traded

These steps lead to corresponding adjustments to country inventories informing NDCs

Article 6.4 Supervisory Body

- Article 6.4 Supervisory Body is tasked with developing and supervising the requirements and processes needed to operationalize the mechanism. This includes:
 - Developing and/or approving methodologies
 - Registering activities
 - Accrediting third-party verification bodies
 - Managing the Article 6.4 Registry

Article 6.4 Supervisory Body (2)

Article 6.4 Supervisory Body, at its meeting in November 2023, approved:

- The recommendation to the CMA related to “Requirements for the development and assessment of Article 6.4 mechanism methodologies”
- The recommendation to the CMA related to “Activities involving removals under the Article 6.4 mechanism”

Removals are the outcomes of processes to remove greenhouse gases from the atmosphere through anthropogenic activities and destroy or durably store them

Methodologies

- The methodologies are integral for projects aiming to claim Article 6.4
- All project methodologies have to be approved by the Article 6.4 Supervisory Body
- Existing international carbon market methodologies for determination of additionality and baselines and monitoring, particularly those from the Clean Development Mechanism (CDM), can be adjusted to transition to the Article 6.4 mechanism
- CDM methodologies need to be modified to align with the more rigorous requirements of Article 6.4 of the Paris Agreement

Methodologies (2)

- Mechanism methodologies shall be real, transparent, conservative, credible
- The selected baseline should be below business-as-usual
- Mechanism methodologies shall contribute to the equitable sharing of mitigation benefits between the participating Parties
- Standardized baselines may be developed by the Supervisory Body at the request of the host Party or may be developed by the host Party and approved by the Supervisory Body

Standardized baseline is a baseline developed on a subnational, national, or group-of-Parties basis rather than on an activity basis

Article 6.4 discussions at COP28

- Important topics discussed at COP28 for Article 6.4:
 - Authorization of units (countries hosting projects to provide Letters of Authorization, indicating that the mitigation outcomes may be used for one or more of the specific purposes outlined in the rules for Article 6)
 - Interconnection between the 6.2 and 6.4 registries (the ability to transfer mitigation outcomes between the registries)
 - Eligibility of emissions avoidance and conservation enhancement (whether such activities could be included)

Article 6.4 discussions at COP28 (2)

- Whether or not the guidance prepared by the Article 6.4 Supervisory Body on methodologies and removals was sufficient
- As a result of discussions, the recommendations of Article 6.4 Supervisory Body were not adopted
- Article 6 negotiations ended in total disagreement as countries failed to align their views about on carbon markets. COP28 did not adopt any decision on rules for carbon markets, leaving major questions on international carbon trading unanswered

Article 6.4 discussions at COP28 (3)

- The main areas on which countries could not reach agreement:
 - The process of authorizing emission reductions for transfer to other countries
 - The process for reviewing confidential information and correcting inconsistencies in country reports
 - Scope and definition of "collaborative approaches" that refer to how carbon trading can help countries meet their NDCs
 - What activities can be included in carbon markets

Challenges for 2024

- COP29 in Baku will be the next chance for the Parties to conclude further guidance related to Article 6
- Developments under Article 6.2 and Article 6.4 will be critical to informing the likelihood of either mechanism being successfully operationalized in the near term
- It is expected that several tools will be developed that will help projects assess risks of leakage, permanence of removals and safeguards
- A registry for carbon credits will also be set up

Challenges for Kazakhstan

- Kazakhstan did not implement projects under Kyoto Protocol. Therefore, there is a lack of capacity for:
 - Development of project design documents
 - Development of baselines in accordance with the approved CDM methodologies
 - Implementation of monitoring in accordance with the approved CDM methodologies
- Development of Emission Factors for key sectors



THANK YOU FOR YOUR ATTENTION!