

Session 3: Overcoming the Obstacles and Seizing Opportunities for Implementing Carbon Market and Non-Market Mechanisms

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Outline

- UNFCCC and its RCCs
- Paris Agreement – overview, objectives and status
- NDCs and market mechanism
- Contribution of Article 6
- Status of the negotiations / Outlook

Regional Collaboration Centres (RCCs)



Strategic partnerships



Mandates (examples)



Consultative Group of Experts (CGE)

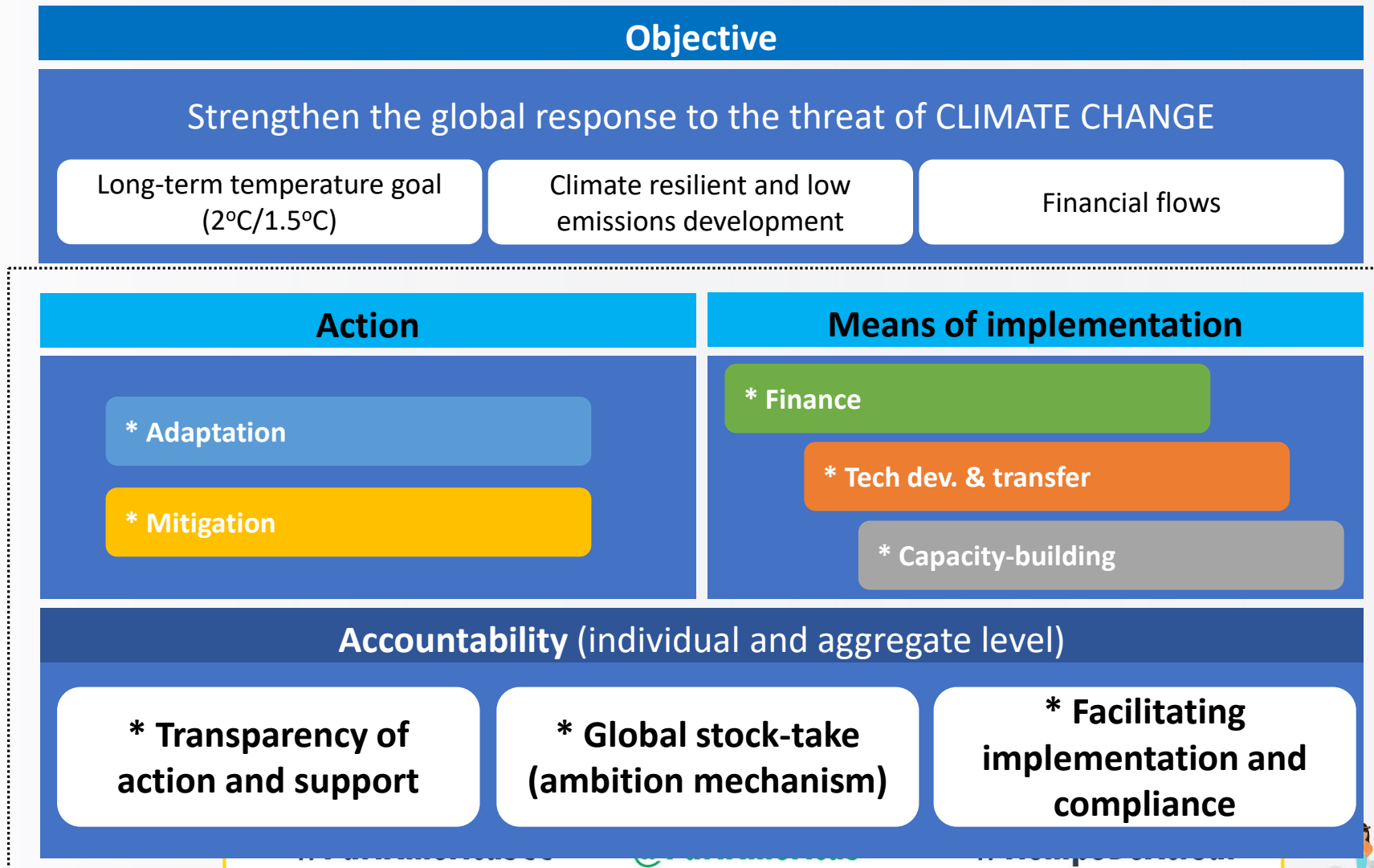


Projects (examples)

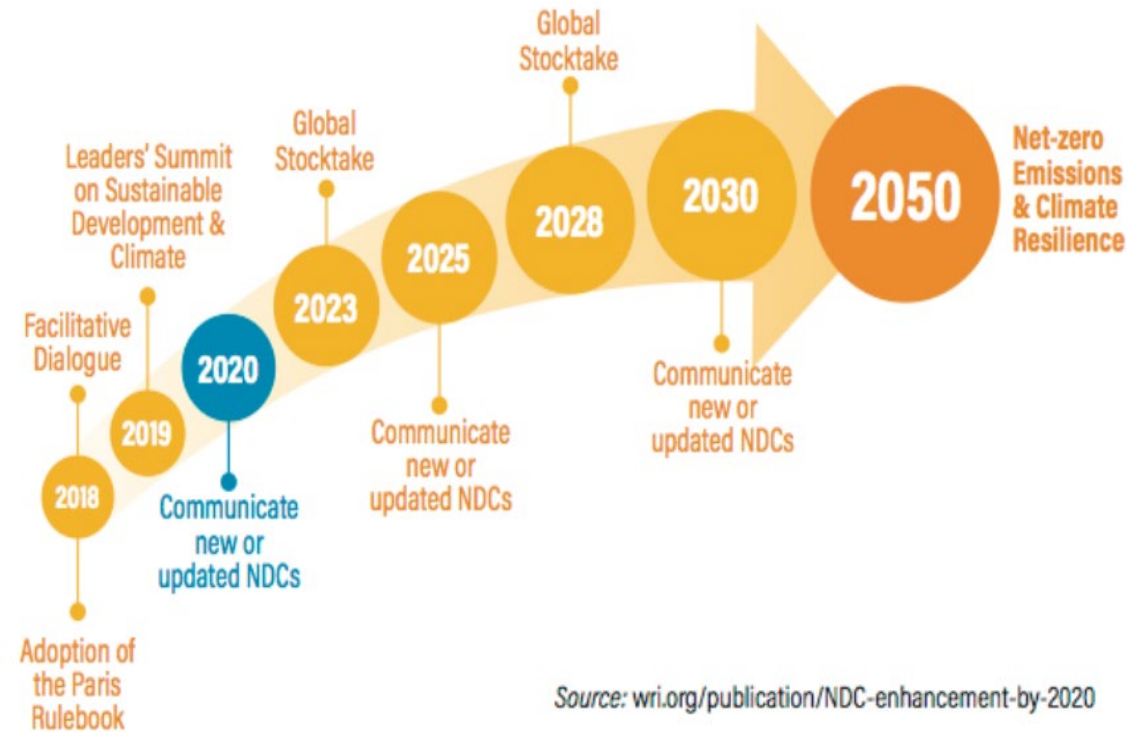
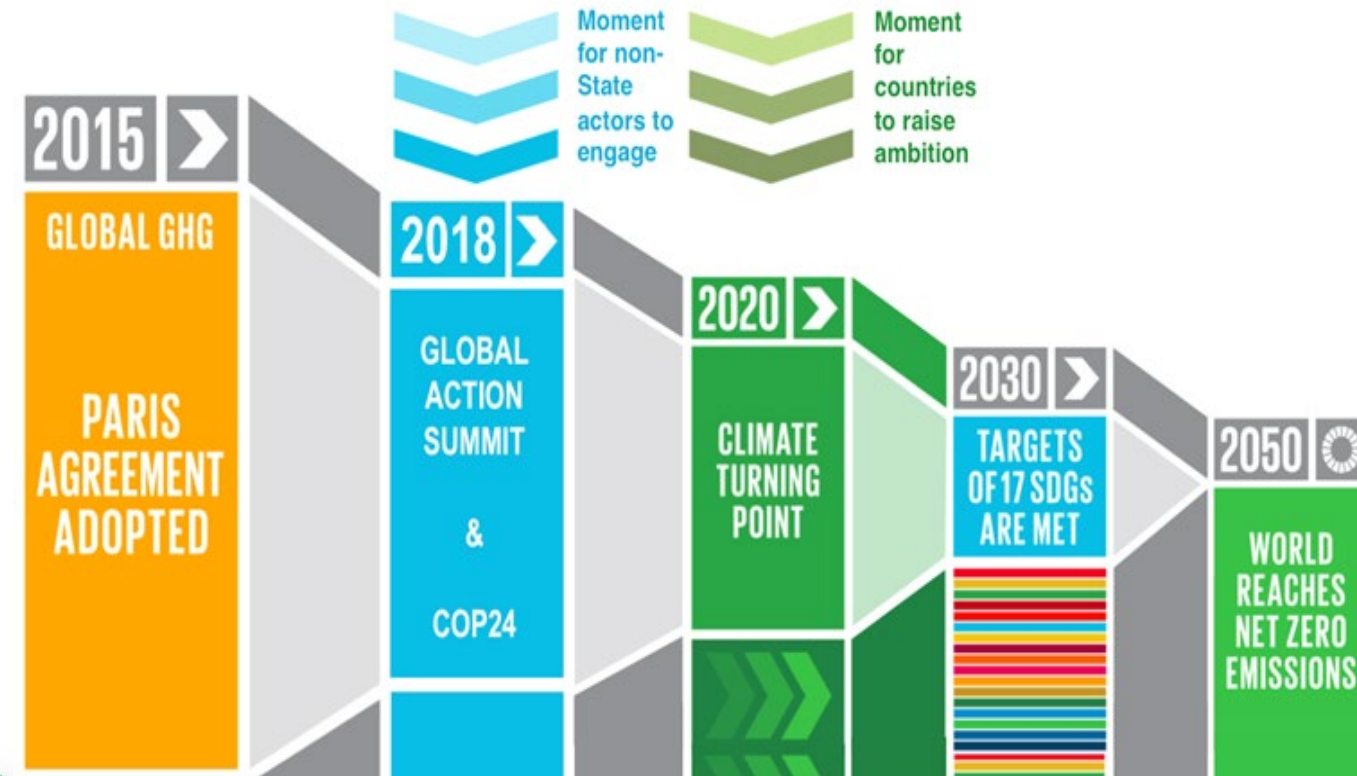


UNFCCC Needs-based
Finance (NBF) Project

The Paris Agreement – global response to climate change



Long-term Strategies under the Paris Agreement



Markets and non-markets within the Paris Agreement

- **Aim of the Paris Agreement**

- Holding increase in global temperature to well below 2 degrees C and try to limit to 1.5 degrees C

- Article 6 approaches are tools to support that

- **Ambition in nationally determined contributions (NDCs)**

- NDCs reflecting highest possible ambition
- Markets should support, not undermine, that ambition

- **Progression of NDCs over time**

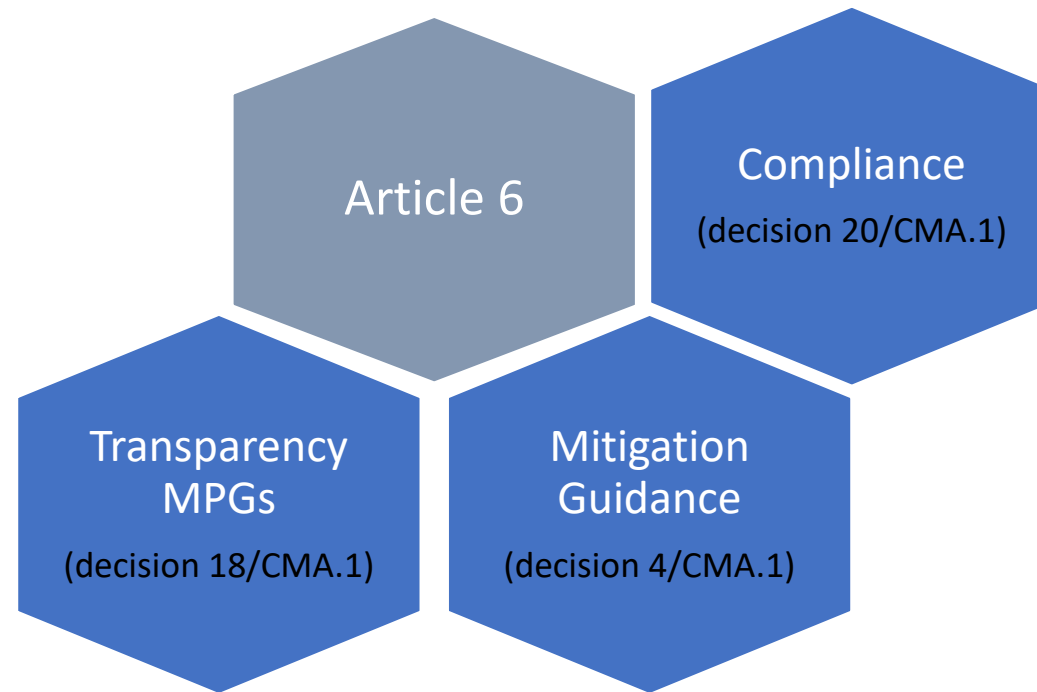
- Each new NDC should show progression in the contribution
- Markets should not discourage progression

Article 6: Why it matters

- Article 6 is an important part of the Paris Agreement and a key **part of the world's “toolbox” for addressing climate change**
- **Article 6 is the only part of the Paris Agreement that directly engages the business and private investment sector in directly implementable activities in which they can invest.**
- In addition to the trading instruments, **implementation of non-market approaches is essential to contribute to sustainable development and poverty eradication**
- There is **strong real-world interest** shown by existing pilot Article 6 projects but without UN decisions, pilots may lead to multi-standard implementation

Mitigation/transparency Landscape for Article 6

- There is now **a context into which Article 6 negotiations can be slotted** as the rest of the Paris Agreement work programme has been completed.



- The mitigation, transparency, compliance and finance regimes under the Paris Agreement **may help in finalizing Article 6 issues but also raise questions**

Article 6 – co-operation towards NDCs

Cooperative approaches

Articles 6.2 and 6.3 and decision 1/CP.21 paragraph 36

The mechanism

Articles 6.4 to 6.7 and decision 1/CP.21 paragraphs 37 and 38

Framework for non-market approaches

Articles 6.8 and 6.9 and decision 1/CP.21 paragraphs 39 and 40

Principles for Article 6 instruments

	Art 6.2	Art 6.4	Art 6.8
	ITMOs	Mechanism	Framework for non-market approaches
Common elements	<ul style="list-style-type: none"> ● to allow for higher ambition ● promote SD and environmental integrity 		
Participation	voluntary		
	<i>unknown</i>	also public and private entities	...enhance public and private sector participation
	authorized by Parties	authorized by Parties	<i>unknown</i>
Administrative aspects	<i>elements related to enhanced review, SOP.</i>	<ul style="list-style-type: none"> - Supervising body - Share of proceeds 	<i>there is a governance structure that is on table for negotiations</i>
Transparency	Yes - including in governance	Yes	<i>Links to reporting</i>
Accounting	double counting avoidance		No trading
	Robust accounting, OMGE	Overall mitigation in global emissions, OMGE	

SBSTA-50: outcome on Article 6

- The SBSTA agreed on 3 conclusions – for 6.2, 6.4 and 6.8 separately – with identical content:

- 1. The SBSTA continued its work on:
 - **guidance on cooperative approaches** referred to in Article 6, paragraph 2, of the Paris Agreement (L.9)
 - **the rules, modalities and procedures for the mechanism** established by Article 6, paragraph 4, of the Paris Agreement (L.10)
 - **the work programme under the framework for non-market approaches** referred to in Article 6, paragraph 8, of the Paris Agreement (L.11)
- 2. The SBSTA agreed to continue consideration of the draft decision text on this matter at SBSTA 51 (December 2019) with a view to recommending a draft decision for consideration and adoption by COP at its 25th (December 2019).

Final remarks

Cooperative Implementation



Photo: Kiara Worth, IISD

Round Table discussions among Parties

SBSTA 50

- [Guidance on cooperative approaches](#)
 - [Rules, modalities and procedures for the mechanism](#)
 - [Work programme under the framework on non-market approaches](#)
- [Decision 8/CMA.1](#)

Part 2

General demand outlook 2019-2023

1. Kyoto compliance demand:

- Irrespective of entry into force of the Doha Amendment it is not expected that compliance with 2nd CP obligation will generate significant additional demand for CERs (*there will be some residual balancing for final emission levels*)

2. National schemes:

- Increasing demand in a fragmented market, primarily for the function of trusted certification of national emission reductions:
- Demand: Established base 50-60mCERs/a, likely increase 2-3 times

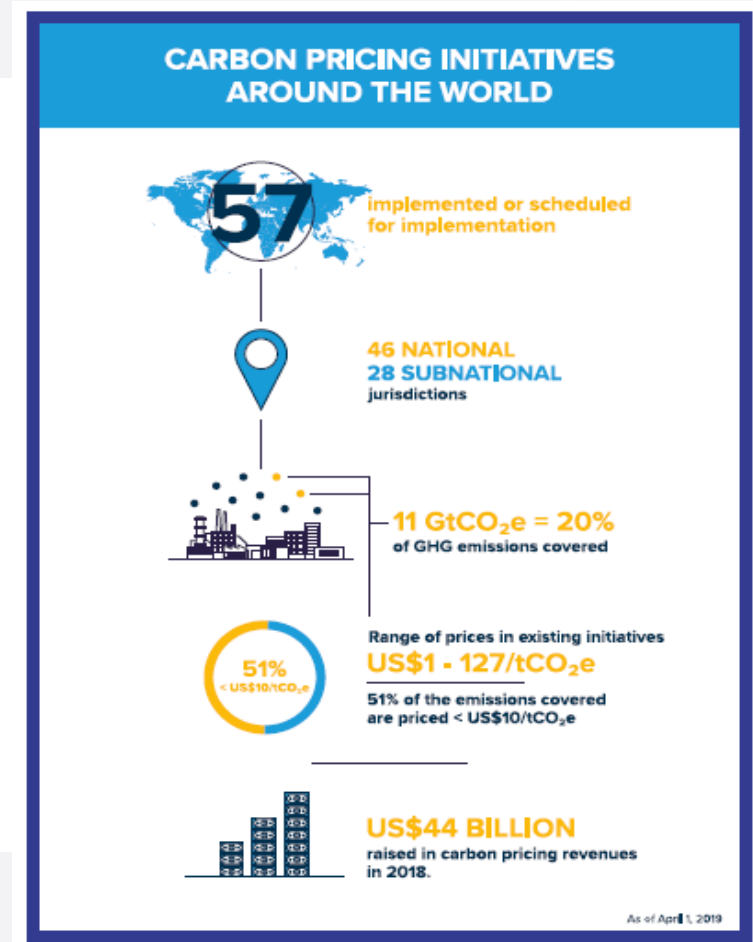
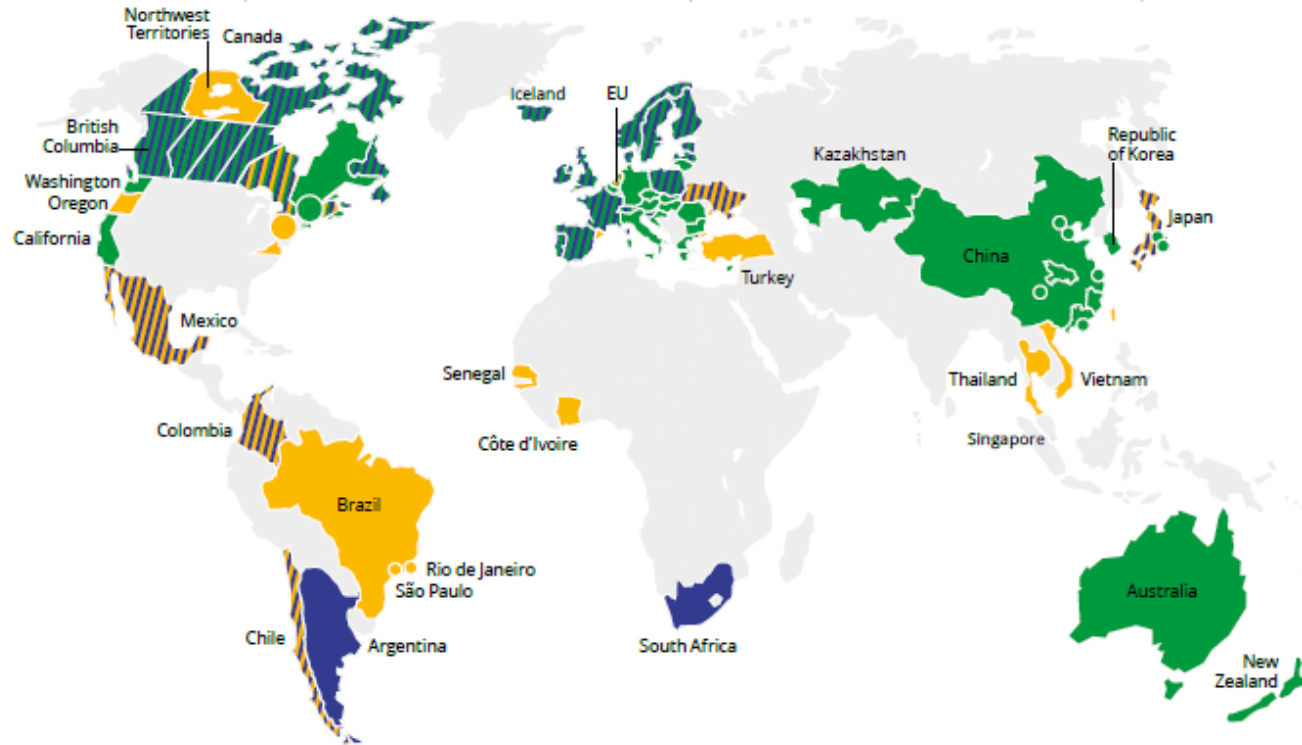
3. International schemes:

- CORSIA: up to 10-15m/a (pending clarity on CER eligibility)

4. Voluntary markets:

- Overall demand risen to c.40Mt/a
- CDM c. 5mCERs/a

State of carbon pricing initiatives



Source: State and Trends of Carbon Pricing 2019, World Bank.

Developments in carbon markets and policy (examples 1/2)

Colombia



Carbon Tax:

- *Coverage:* Applies to all fossil fuels, levied at production/import
- *Rate:* c. US\$5/t – exact rates specified per fuel type
- *Exemption:* Taxpayers can earn exemption from payment obligation
- *Impact on CDM:* **2.8 m** CERs issued in 2018 – increase from 2017 by 4.4 times. **3.6 m** CERs cancelled in 2018 (3.8 m cancelled to date), Max **7.9 m** CERs can be issued in 2019.
- *ETS:* Law for climate change management (July 2018) provides the legal basis for a transition to ETS. No policy announcements with respect to such transition.

Adapted from: CDM EB 103. Bonn, Germany, 12 to 14 June 2019

Developments in carbon markets and policy (examples 2/2)

Mexico



Emission Trading System:

- Amendment to 2012 law made in July 2018
- Authorizes a three year pilot phase (2019-2021)
- Power, oil&gas, and heavy industry covered
- “*Draft regulation for pilot ETS*” released
- Pilot ETS planned to run 2020-2022 covering 300 installations emitting over 100,000 tCO₂ in energy and industry sectors (300 MtCO₂e)
- Offsets use for max 10% of obligations being considered for domestic activities under internationally or domestically recognized protocols.

Adapted from: CDM EB 103. Bonn, Germany, 12 to 14 June 2019



Thank you!