

New market mechanisms under Paris Agreement should not replicate failed models –say ALBA

Kuala Lumpur, 22 May (Jade Chiang+) – At the closing plenary of the 46th session of the UNFCCC's Subsidiary body for Scientific and Technological Advice (SBSTA46) in Bonn on 18 May, many Parties welcomed progress of work on what is termed as 'Article 6 mechanisms' of the Paris Agreement (PA), dealing with cooperative approaches that includes market and non-market mechanisms.

The **Bolivarian Alliance for the Peoples of Our America (ALBA)**, Cuba, in welcoming the work done by Parties on the matter said that “numerous elements had been identified to guide future discussions”, but cautioned that “these mechanisms should be voluntary” and “should not create new versions of failed market-based approaches that would lead to greater deterioration of the climate situation.”

The ALBA urged Parties to show greater readiness to develop new mechanisms that are different from existing ones based on cooperation that would make it possible to achieve sustainable development.”.

(Developing countries such as the ALBA, the **Like-minded Developing Countries [LMDC]** and the **Arab Group** have expressed concerns at the Bonn session over the use of market-based approaches including international emissions trading and carbon markets under the PA.)

(Article 6 of the PA provides for cooperative approaches between countries and consists of three components: Article 6.2 provides for internationally transferred mitigation outcomes (ITMOs), while Article 6.4 relates to a sustainable development mechanism and Article 6.8 focuses on non-market approaches.)

In relation to this agenda item under the SBSTA, during the course of the Bonn session which began on 8 May, Parties exchanged views in

informal consultations, co-facilitated by **Kelley Kizzier (European Union)** and **Hugh Sealy (Maldives)**. These views were captured by the co-facilitators in an informal note which provides an ‘informal list of elements’ raised by Parties that covers among others, matters relating to cooperative approaches that include the overarching issues, principles and context, definitions including that for ITMO, governance matters, robust accounting, ensuring environmental integrity, promoting sustainable development, transparency, limits and safeguards including limits on use of ITMOs, emissions trading etc.

During the informal consultations, some developing countries led by the ALBA, had called for observers to be excluded from the consultations, which led the co-facilitators to close the door to observers. This raised the ire of other developing countries and developed countries who spoke about the importance of observer participation in the process in their closing interventions of SBSTA. (See details below.)

(Ironically, according to some observers, many of the developed countries who had advocated for the participation of non-state actors or observers in the Article 6 consultations, raised objections on the need to address the issue of ‘conflict of interest’ as regards the influence of corporations and vested interests in the UNFCCC process, during the discussion in the Subsidiary Body on Implementation [SBI] under the agenda item on ‘arrangements for intergovernmental meetings’.)

In this regard, ALBA in its closing intervention at SBSTA on 18 May, stressed that the participation of non-state actors in the implementation of Article 6 must be evaluated on the basis that such actors will not be accepted when there is a lack of transparency as to their role and source of funds,

and when there exist conflicts of interests in the process.

(According to sources, the ALBA was concerned about the influence of the carbon markets in the design of the mechanisms under Article 6.)

In this regard, developed countries and some developing countries expressed their disappointment with “the lack of transparency and inclusiveness” in the discussions and rallied for their inclusion in the process in future.

Apart from the Article 6 matter, the SBSTA adopted a total of 17 conclusions on various agenda items at the closing plenary on 18 May which was presided over by **Chair Carlos Fuller (Belize)**.

Three of the conclusions were adopted jointly with the SBI which were on: the *‘scope of the next periodic review of the long-term goal under the Convention and of overall progress towards achieving it; the improved forum and work programme and the modalities, work programme and functions under the PA of the forum of impact of the implementation of response measures.’*

Two conclusions also produced draft decisions to be transmitted to the year-end 23rd Conference of the Parties (COP23) in Nov. They are in respect of the *‘scope of the next periodic review’* and the *‘training programme for review experts for the technical review of biennial reports and national communications of Parties included in Annex I to the Convention.’*

Speaking for the **G77-China, Ecuador** noted that the work under SBSTA had a direct impact for both the post-2020 implementation (under the PA) and the enhancement of the pre-2020 action, and re-emphasised the urgent need to enhance pre-2020 action and support.

It welcomed the progress made under the Nairobi Work Programme (NWP) on impacts, vulnerability and adaptation to climate change including the reports prepared by the secretariat, while noting that these collaborative activities have enhanced the role of the NWP as a knowledge hub that supports enhanced action on adaptation. The Group also saw the need for improving the effectiveness of the ‘Focal Point Forum’ where future activities can support the implementation of the PA. It further welcomed the support to experts from developing countries, so that they can contribute to the NWP activities.

On technology, the G77 believed that the guidance and principles of the technology framework under Article 10 of the PA are essential for the work of the Technology Mechanism, especially for the provision of support for actions on technology development and transfer in developing countries. The technology framework, it added, should take into account sustainable development, gender, global action and the special needs and circumstances of the developing countries.

“We welcome the progress on this matter, especially in recognition that the work of the Technology Executive Committee (TEC) and the Climate Technology Centre and Network (CTCN), is relevant for the elaboration of the technology framework and in facilitating enhanced actions on technology development and transfer,” it added.

The G77 considered that adaptation, including adaptation co-benefits, of agriculture and food production systems to the adverse effects of climate change, continued to be the key priority for developing countries in light of the particular vulnerabilities of the agriculture sector and its relationship with the livelihood of millions, and in light of the fundamental priority of ensuring food security and ending hunger. Taking note of the progress made, it looked forward to continuing discussions on this item during the next session aiming at moving towards implementation. It stressed that access of developing countries to the means of implementation including finance, technology transfer and capacity building should always be guaranteed.

On response measures, the G77 reaffirmed the importance of giving full consideration to identifying the necessary actions to meet the specific needs and concerns of developing countries arising from the impact of the implementation of response measures and avoid its negative economic and social consequences, including with regard to equitable access to sustainable development and poverty eradication. It welcomed the findings of the first meeting of the technical expert group (TEG) which would help to enhance the work of the Forum.

“In this regard, we look forward to enhanced actions through strengthening institutional arrangements and the establishment of a cooperative mechanism to address the adverse impacts of the implementation of response

measures on developing countries,” it added.

On matters relating to Article 6 of the PA, the G77 welcomed the productive exchange of views and hoped to continue to engage constructively in these discussions, including by responding to the invitation to submit views as Parties on, inter alia, the operationalisation of the mandates as well as by actively engaging in the roundtable discussion to be held in conjunction with SBSTA 47.

Regarding the design of modalities for the accounting of financial resources provided and mobilized through public interventions (under Article 9.7 of the PA), the G77 noted that while the conclusions of the session have been mostly procedural, the informative note (of the co-facilitators of the informal consultations) contained various sets of information that reporting of support should include, and is a valuable input for the continuation of discussions in Nov.

Mali representing the **African Group** expressed concerns on the lack of substantive progress in the agriculture discussion, underscoring that agriculture matters that underpinned food security is of paramount importance to its members who continued to face severe food shortages due to the impacts of climate change. Nevertheless, it welcomed the rich analyses from the five workshops and welcomed the non-paper from the co-facilitators to inform discussions at the next session.

On response measures, it welcomed the first TEG and confirmed that it is adding value by giving experts the space and time to discuss economic diversification and just transition of the workforce.

“The technical discussion demonstrated that there are different national circumstances and capabilities with regards to the assessment of impacts from response measures,” it said, adding that at SBSTA47, outstanding issues for TEG should be prioritised.

On the modalities for accounting of financial resources provided and mobilised through public intervention in accordance with Article 9.7 of the PA, it said “there is a need to move on all issues identified in the co-chairs note and to start substantive discussions”.

Representing the **Alliance of Small Island States, Maldives** said it looked forward to the

Special Report on 1.5°C by the Intergovernmental Panel on Climate Change (IPCC) as early as possible in 2018 so that its findings will be considered by the Facilitative Dialogue (to be held in 2018 to take stock of the collective efforts of Parties in relation to progress towards the long-term global goal.)

It said market-based mechanisms can help support the outcome of the PA by reducing the costs of mitigation and enhancing the feasibility of the development and deployment of low green - house gas technologies while cautioning that such mechanisms should not erode the environmental integrity of individual or aggregated nationally determined contributions (NDCs) of Parties.

On Article 6 of the PA, it said that an enormous amount of technical work needs to be tackled and urged Parties to focus on the substance. It was surprised by some Parties resistance against engagement of observer organisations in supporting the technical work.

Maldives was pleased that Parties now shared a common understanding on the need for a periodic review of the ‘Warsaw International Mechanism on Loss and Damage’ associated with climate change impacts in light of emerging and evolving circumstances that bodes well for the role of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) in enhancing and strengthening the WIM as outlined in Article 8 of the PA.

Ethiopia speaking for the **Least Developed Countries (LDCs)** called for the global response to climate change to be consistent with the best available science. Limiting warming to 1.5°C to protect lives and livelihood means peaking global emission in 2020. It expressed concerns that Parties are far from reflecting actual finance needs.

“Developing countries’ NDCs tell us that we need to find trillions not billions of dollars. Mobilising climate finance is crucial for LDCs and other developing countries to implement the PA,” it added. The LDCs welcomed the exchange of views in identifying modalities for accounting of financial resources provided and mobilised through public interventions and urged Parties to build on progress made at SBSTA47.

On agriculture, it said there were some progress but would like to move towards implementation as a matter of urgency.

On the technology framework, the LDCs said it is important to carefully consider the principles and structure of the framework which will guide the work of the Technology Mechanism under the PA. To support technology work in the pre-2020 and post-2020 period, finance must be made available to the Technology Mechanism.

On Article 6 of the PA, it hoped to get into substantive discussions and was concerned that Parties could not agree to allow observers to provide inputs into the process.

Saudi Arabia speaking for the **Arab Group** stressed the importance of strengthening available financing for developing countries and rejected intellectual property rights which are a barrier to technology development and transfer.

Guatemala representing **AILAC** called for coordination and consistency between the negotiation under Article 6 and 13 (on the transparency framework) of the PA with similar arrangements outside the Convention, in particular the International Civil Aviation Organisation's (ICAO) Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). It said this is fundamental to preserve the principles of transparency, environmental integrity and avoid double-counting in the quantification of mitigation efforts, noting that it appreciated dialogues and initiatives that allow exchanges between Parties and observers to generate synergies in these discussions.

In an intervention highlighting its displeasure with the absence of observers in the discussion of Article 6, **Costa Rica representing AILAC** requested for the intervention to be reflected in the report of the session. "AILAC has consistently demanded that observers be allowed to participate and their inputs be included in our proceedings," it said, adding that Parties (who opposed inclusion of observers) cannot continue to be blinded as non-state actors are already engaging in market activities and that "they have valuable, real-life experience to share."

Speaking for the **Bolivarian Alliance for the Peoples of Our America (ALBA)**, **Cuba** said that it was satisfied with the multi-stakeholder dialogue on the local communities and indigenous peoples' platform and believed that the step-by-step approach would strengthen the capacity of indigenous peoples.

Ecuador echoed ALBA on the progress made as

a proud key actor during the Marrakech COP last year that contributed to the idea of the dialogue and would like to see a decision at COP23 that would ensure the full operationalisation of the platform for the well-being of indigenous peoples and local communities and respect for the rights of nature.

Highlighting the main results of the session, the **European Union (EU)** said the outcome on Article 6 of the PA reflects a delicate balance and involved concessions by all Parties. It had concerns with the limited progress and the exclusion of observers. It, however, looked forward to submissions and future roundtable discussions.

It welcomed the progress made on technology framework, in particular, the agreement on principles of the framework and the better understanding of the actual content of the future framework.

The EU said that significant progress has been made in clearly identifying elements to be considered for the development of accounting modalities for financial resources provided and mobilised through public intervention and looked forward to advance this crucial aspect of transparency of support at the COP.

It was pleased that for the first time, Parties were able to discuss substance of the workshops on agriculture of the past years and further identified elements for further discussions that could be carried forward for implementation or to be further analysed by SBSTA.

Australia representing the **Umbrella Group (UG)** welcomed the cooperation between Parties at this session which allowed advancement of work on issues relating to PA and on items relating to pre-2020 issues.

Notwithstanding the deeper understanding on Article 6 of the PA, UG Parties expressed concern at the pace work is proceeding.

"We note with disappointment that observers are not invited to contribute to the future work agreed here. UG will continue to call for Parties to support the engagement of observers, recognising the critical role of non-state actors in operationalising Article 6 of the PA," it added.

On agriculture, it noted that Parties developed a better understanding of what could be achieved and looked forward to a substantive work

programme at SBSTA47.

Mexico speaking for the **Environmental Integrity Group (EIG)** placed great expectation on the IPCC's Special Report on 1.5°C and hoped to see the IPCC and the scientific community in an active role both for the preparation of the Facilitative Dialogue in 2018 and the global stocktake (under the PA) in 2023. It reckoned that Parties had acted wisely by having the final deliberation on the scope of the next periodic review at the 50th session of the subsidiary bodies

in mid-2019.

On Article 6 of the PA, it said much technical work remains to be done until end of 2018. It opined that discussions may benefit from technical views that observer organisations may have.

+With inputs and edits from Meena Raman