

Preparatory Meeting for Article 6 Implementation Partnership

Summary of the meeting

September 9, 2022

Organized by:

Ministry of the Environment, Japan (MOEJ)

Institute for Global Environmental Strategies (IGES)

Summary of the Conference

At the COP26 of the United Nations Framework Convention on Climate Change (UNFCCC) in Glasgow, negotiators reached the agreement on the implementation guidelines for Article 6 of the Paris Agreement. In order to implement Article 6 at the earliest stage, it is important to understand the rules stipulated in the Article 6 guidelines by all stakeholders and promote concrete activities.

In light of this, the Ministry of the Environment (MOE), Japan, held the Article 6 Implementation Partnership Preparatory Meeting, a preparatory meeting on a partnership for the implementation of the Article 6 of the Paris Agreement, in Kamakura, Kanagawa Prefecture, on September 9, 2022. The Preparatory Meeting welcomed a total of 55 experts from 19 countries and 14 organizations who shared capacity-building activities on Article 6 implementation and discussed future collaboration and contents of activities for the Article 6 Implementation Partnership to be launched at COP 27.

Key takeaways from the Preparatory Meeting are;

- There are three particular capacity building needs, agreed as important, for Article 6 implementation: (1) promotion of understanding to participate in the Article 6 implementation; (2) processes, such as corresponding adjustment, authorization, and reporting implemented under Article 6; and (iii) project formulation specific for emission reduction under Article 6 .
- A survey conducted by MOE on the Article 6 implementation shows that there are regional and country gaps between providing and receiving countries for Article 6 capacity building support. Therefore, importance of collaboration among organizations, countries, and regional alliances will grow further, so that capacity-building support reaches where needed efficiently, while avoiding duplication and competition.
- Countries and organizations providing capacity building supports have lessons learned, including both successes and failures, and those lessons should be shared among a wide range of stakeholders for better and effective capacity building.
- Private sector is looking for investment opportunities in mitigation projects and is increasing its interest in becoming carbon neutral. The willingness to participate in Article 6, the authorization process, transparency, interoperability with carbon markets, accountability, and capacity building are important to encourage companies' investment.

At the plenary discussion session, the participants expressed their support for Japan's efforts toward launching the Partnership. Efficient and effective support through synergy with existing capacity-building efforts, e.g. UNFCCC-RCC, is required, and given that capacity building for participation in and reporting on Article 6 is a priority, the next step will be to establish a working group on

institutional arrangement for Article 6 participation and its reporting and to seek concrete directions of the Partnership.

Disclaimer

The organizers have made every effort to ensure objectivity and provide a comprehensive summary of the conference, but errors can occur. The organizers assume no liability or responsibility for any errors in this report. Please also refer to the materials available on the conference site for each speaker's contribution.

1. Opening Remarks

• H.E. Miki Yamada, State Minister of the Environment,

- State Minister Miki Yamada started the opening remarks by mentioning that the market mechanism rules of Article 6 will play a significant role to achieve the 1.5 degree target. She stressed that Japan has been contributing to the negotiations on the rules of Article 6 and pioneering the implementation of market mechanism through the joint Crediting Mechanism. There are 3 actions proposed by State Minister to contribute to global decarbonization. The first option is to expand the number of JCM partner countries. Japan will increase the number of partner countries up to 30 by 2025 and will work with international organisations including Asian Development Bank, World Bank and United Nations Industrial Development organization to formulate and implement the projects. The second option is to promote the utilization of private sector financing. The Government of Japan is now proving the procedure for formulating the JCM project, mainly financed by the private sector. The third option is to contribute to the global expansion of market mechanisms. MOE held online international conferences in February and March, 2022 to discuss institutional arrangements and capacity building for relevant government officials and stakeholders to implement Article 6. In the next step, MOE will launch the Article 6 Implementation Partnership at COP27.

2. Session1: Status of Article 6 Capacity Building

• Article 6 Implementation and Status of Capacity Building

➤ Sadamitsu Sakoguchi, Ministry of the Environment, Japan (MOEJ)

- More than 120 countries expressed their interest in the use of Article 6 in their NDCs. In addition, the importance of capacity building of Article 6 has been discussed in Climate, Energy and Environment Ministers' Meetings of G7 and G20. Parties will be required to submit their first BTR in the end of 2024, and they need to prepare the relevant arrangement and infrastructure for their participation to Article 6 and relevant reporting. International support is needed to enhance the capacity. Japan aims to launch Article 6 Implementation Partnership at COP27 for the purpose of promoting international coordination of Article 6 Capacity Building.

• Article 6 Capacity Building Survey Results

➤ Mr. Perumal Arumugampillai Kalyani, UNFCCC secretariat

- In May 2022, UNFCCC and RCC organized Regional Dialogues on Article 6 Capacity Building Needs in Africa, LAC, and Asia-Pacific and MENA. A wide range of needs were identified in relation to Article 6.2, 6.4, and 6.8. In addition, survey on Article 6 Capacity Building Needs was conducted to understand the elements with priority and suggested frequency of capacity building activities. Capacity building activities can be categorized into development of knowledge development tools, training, and technical assistance. The identified capacity building needs will serve as input in the development of capacity building work programme, and other meetings towards COP27.

3. Session2: Sharing Experience for Article 6 implementation

- **International coordination and partnership,**

- **Dr. Venkata Ramana Putti, World Bank**

- World Bank has provided capacity building in carbon market and carbon pricing since 2005 through various initiatives including Partnership for Market Readiness (PMR) and ongoing Partnership for Market Implementation (PMI). He shared the lessons learned from past capacity building activities including the importance of a clear political mandate, a broader policy framework, institutional arrangements, stakeholder engagement, right selection of counterpart agency. He also stressed that NDC context and just transition should be considered.

- **Sharing countries' experiences of institutional arrangements**

- **Mr. Martin Hession, European Union**

- EU shared their views based on their support experiences. He stressed that it needs to develop partnerships based on the practical cooperation. EU has the funding support for integrated approach on Article 6. He also shared that there was enormous amount of experience that made a lot of mistakes. It was stressed that it is important to integrate Article 6 for catalyzing further projects.

- **Mr. Maudjahid Akorede Wabi, West African Alliance (WAA)**

- In the presentation, he introduced the activities (e.g. Article 6 readiness support plan, Article 6 technical workshops) for supporting countries in Africa to participate in Article 6 cooperative approach. He has presented the capacity building areas in Africa such as developing guiding principles for authorization of ITMOs, establishing legal framework on governing Article 6, integrating Article 6 approach into NDC implementation plan and developing an infrastructure to track ITMOs.

- **Support for pilot project and domestic tracking and recording infrastructure including registry**

- **Ms. Alexandra Soezer, UNDP**

- UNDP briefly explained the activities in UNDP for Article 6 readiness support programme: 1. Regulatory and institutional readiness support; and 2. Digital infrastructure. For national registries for the countries to participate in Article 6, "Digital public goods" was used as an online platform. Further, she showed Ghana's support activities for the regulatory and institutional Article 6 framework in which new 5 projects were already developed and received the pre-authorization letter from the government of Ghana. She also mentioned that Ghana is now developing the initial report and soon it will be submitted to the UNFCCC. She also presented briefly the progress from

Vanuatu which has finalized the first initial report for submission to UNFCCC and issued the first letter of authorization for an energy access project which has commenced implementation.

➤ **Mr. Andrea Bonzanni, IETA**

- IETA shared the private sector's reaction to Article 6 decision as the organization represents 250 members companies globally. He explained that private sector is interested in investment opportunities in mitigation projects, accessing to cheaper abatement options, and operations of businesses for carbon neutral. Further he introduced IETA discussion paper on how governments can implement NDCs with utilizing Article 6 and encourage private sector investment. In the paper, there are five areas identified, in which governments should address and give clarities to the business sectors: intention to participate in Article 6, authorization process, transparency, interoperability with carbon markets, accountability, and capacity building.

➤ **Dr. Myung Kyoon Lee, UNEP CCC**

- UNEP CCC shared the overview of their support to implement Article 6. There are three areas for Article 6 support such as supporting preparedness for Article 6 cooperation, promoting transformational change through carbon markets, and sustainable development initiative for Article6. UNEP CCC also has developed CDM and PoA database in the past. In addition, they identified Article 6 pilot activities and developed the Article 6 database which was publicly available in their website. UNEP CCC also introduced the initiative for climate action transparency (ICAT), which supports the development and establishment of domestic MRV systems and builds capacities for monitoring of policies and actions.

• **A6 mechanism baselines and tool**

➤ **Dr. Axel Michaelowa, Perspectives**

- Perspectives shared the view on Article 6 mechanism, especially baselines and tools. They started to introduce the Article 6.4 principles including additionality. Perspectives also shared their new initiative on Article 6 "International Initiative for the Development of Article6 Methodology Tools (II-AMT)" as one of the promoting methodological works. This initiative was funded by governments of Germany, Japan, Sweden and UK and AfDB and will seek the further funding to deepen the initiative in the future. Currently this initiative is under the second phase for developing the tools and will make four tools as outcomes before COP27. This methodological work will plan to make the inputs for Article 6.4 supervisory body, particularly the methodology working group.

• **Scaling up of capacity building activities**

➤ **Mr. Tomohiko Hattori, IGES**

- IGES introduced the experience of mutual learning for enhanced transparency which was conducted with Chile, Thailand, Mongolia, and Indonesia. The mutual learning programme was designed with the aim of generating tangible outputs so that participating parties can prepare the Article 6 reporting. In the mutual learning, an exercise on Article 6.2 reporting was conducted for government officials to promote understanding of corresponding adjustment and initial report. Through the exercise work, several challenges and lesson learned were identified to promote Article 6 implementation. One of the lessons learned was not only to identify the gaps in understating but also to know what other countries are doing for preparation of Article 6.

➤ **GGGI, Ms. Lorna Ximena Aristizabal Clavijo**

- GGGI manages a portfolio of 3 Article 6 programs with the objective to increase ambition beyond unconditional NDC through carbon finance. MATS Program supported by the Swedish Energy Agency, DAPA Program supported by the Norwegian Ministry of Climate and Environment, and SPAR6C supported by the International Klimate Initiative. GGGI's MATS Program cooperates with Cambodia and Nepal on the development of large-scale pilot projects by focusing on the readiness support including authorization, transfer and reporting to UNFCCC. As for the designing Article 6 policy approaches, they cooperate with Indonesia, Morocco, Senegal and Vietnam. Finally, under SPAR6C, they support Colombia, Thailand, Pakistan and Zambia, providing the technical capacity support to various stakeholders in the context of readiness, increasing ambition and promoting transformation. GGGI shared the key lessons learned from their capacity building activities such as the need of tailored solutions for each country, engagement with local institutions and experts and the provision of support on a continuous basis rather than isolated workshops, among others.

4. Wrap-up and Way Forward

➤ **MOEJ Mr. Takayuki Shigematsu**

- MOEJ introduced their proposal on Article 6 Implementation Partnership with the future roadmap. He also shared the result of analysis on current state of Article 6 capacity building based on the MOEJ's survey. There were 110 countries which had the intention to use at least one type of market mechanism. The result categorized three types of Article6 capacity building; participation for Article 6, reporting and project development. This analysis found that many activities for capacity building were provided by the international organizations, countries and regional alliances. He also stressed that it could elaborate what kinds of initiative or what type of activities can collaborate more effectively to implement capacity building in the future. Japan's proposal is specifically targeting 2023-2024 to implement the Article 6 capacity building through working groups on the priority areas such as authorization, registry and reporting including initial report and annual information.

At the wrap-up session, KOAKUTSU Kazuhisa, Director of International Negotiations, Office of the Director for International Cooperation for Transition to Decarbonization and Sustainable Infrastructure, MOEJ summarized the points raised by participants as follow.

- Importance for socializing the knowledge among various stakeholders
- Connecting deeper various initiatives in order to complement each other and also avoid potential contradictions between some of the information because of different interpretations on Article 6
- Importance of facilitating the understanding of Article 6 through capacity building initiatives
- Idea of the working groups is very important, and need to have the subgroup which specifically focuses on reporting, corresponding adjustments and methodologies.
- Need to consider the longer strategic approach
- Need coordination mechanisms with current institutions like UNFCCC-RCCs and alliances so that this initiative can maximize the benefit
- Need to focus the targeting scope such institutional arrangement and infrastructure in the first phase
- How to address the regional balance to implement the capacity building activity
- Importance of capacity building activities in the context of transparency because of linkage between Article 6 and 13