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ARTICLE 6 OF THE PARIS AGREEMENT: THE PATH TO EFFECTIVENESS

The adoption of the Paris Agreement reaffirmed the UNFCCC's role as the central political arena for tackling global climate change. Among many of its distinctive elements, the Paris Agreement set multilaterally-agreed parameters for the voluntary use of market instruments, aimed at enabling higher levels of ambition by public and private agents.

Article 6 recognizes, on one side, that Parties may choose to engage in the international transfer of mitigation outcomes while implementing their Nationally Determined Contributions (NDCs), a similar model to the emissions trading under the Kyoto Protocol. Transfers are to be guided by strong accounting and governance rules – currently under discussion – adding on to other transparency obligations contained in the Agreement, most notably Article 13 and Article 4, paragraph 13.

For those cooperative approaches to be successful, guidance needs to establish clear procedures for robust accounting and clarity on governance requirements, with a view to ensure authorization by participating Parties and avoid double counting. By thoroughly complying with such guidance, Parties – who are ultimately accountable for transfers involving their territories – will be able to demonstrate the environmental integrity of any action involving transfer of mitigation outcomes.

At the core of Article 6 of the Paris Agreement is the establishment of a mechanism to contribute to the mitigation of greenhouse gas emissions and to support sustainable development. The Sustainable Development Mechanism (SDM), as it is often referred to, highlights the centrality of sustainable development in tackling climate change.

The SDM was inspired by the successful experience of the Kyoto Protocol's Clean Development Mechanism (CDM), through which over 1.7 billion certified emission reduction (CER) units were issued from projects in developing countries that also provide social and economic benefits. Like its predecessor, the SDM was created as a centralized crediting mechanism that will function under multilateral authority and guidance, supervised by a designated body. It was designed to contribute to emission cuts that are additional to what would otherwise occur. Whether credits are retained domestically or internationally transferred, mitigation benefits will always be reflected in host countries' inventories, in periodic "snapshots" of their national emission levels. While credits used to fulfil a Party's NDC would be assigned to the acquiring country, the benefit of mitigation achieved will still be owned by the host country.

The SDM innovates further in the sense that it was originally conceived to incentivize and facilitate participation by non-state stakeholders, while helping parties implementing their NDCs to the Paris Agreement. Its comprehensiveness in scope, together with multilateral assurances with respect to environmental integrity, can make the mechanism the prevalent offsetting instrument globally. Stringent governance under the auspices of the United Nations will guarantee that one certified emission reduction credit does indeed represent one less tonne of carbon in the atmosphere. The "UN quality stamp" will ensure comparability of internationally transferred mitigation outcomes, thus favouring coherence, liquidity and expansion of the carbon market. In other words, it will provide a global public certification scheme for mitigation activities with the highest integrity standards, along with recognition by the international community and national governments.

For a developing country, this means more green investment and technologies, improved livelihoods, and enhanced ambition. Ultimately, the SDM can play a key role in promoting the green economy, in the context of sustainable development and poverty eradication.

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AT THE CORE OF ARTICLE 6 OF THE PARIS AGREEMENT IS THE ESTABLISHMENT OF A MECHANISM TO CONTRIBUTE TO THE MITIGATION OF GREENHOUSE GAS EMISSIONS AND TO SUPPORT SUSTAINABLE DEVELOPMENT.