

Negotiations on market and non-market mechanisms to resume after suspension

Bonn, 19 June (TWN)- Negotiations to work out the operational details of the market and non-market mechanisms under Article 6 of the Paris Agreement (PA) could not be launched as scheduled on June 18, the second day of the ongoing climate talks in Bonn.

The day was filled with confusion and it took over three-and-a-half hours of informal consultations by the Chair of the UNFCCC's Subsidiary Body for Scientific and Technological Advice (SBSTA) with heads of delegations to resolve the issue of launching work on the Article 6 issue, which will now begin on June 19.

(Article 6 of the PA deals with cooperative approaches among Parties, which includes the use of market and non-market mechanisms. Parties were unable to arrive at an agreement on the operational details and rules to be applied in the implementation of Article 6 at the 24th session of the Conference of the Parties (COP 24) held in Katowice, Poland last year. COP 24 had adopted a package of decisions on the rules to implement the PA, except matters related to Article 6. Therefore, a key focus of Parties in the ongoing Bonn session is on Article 6).

Confusion arose when SBSTA Chair (Paul Watkinson from France) convened a contact group in the morning of 18 June to discuss matters related to Article 6 under agenda item 11.

While the contact group was meeting, informal consultations under agenda item 10(b) of SBSTA on the enhanced transparency framework (ETF - dealing with the reporting of information on climate actions taken and support provided), was also going on in parallel. The ETF agenda on item 10(b) was dealing with 'common tabular formats for the electronic reporting of the information necessary to track progress made in implementing and achieving nationally determined contributions (NDC) under

Article 4 of the PA,' and included matters relating to Article 6.

Some developing countries were concerned that proceeding with discussions on matters related to Article 6 under the ETF agenda was not appropriate as Parties have yet to reach agreement on what the Article 6 mechanisms look like and what principles and rules should be applied. They therefore objected to the continuation of work on Article 6 in the contact group, and requested that discussions on the ETF agenda item 10(b) also be suspended until a resolution could be found on how to take matters forward.

Discussions under both the agenda items [item 11 and item 10(b)] were then suspended and the SBSTA Chair called for informal consultations with heads of delegations to resolve the impasse. A way forward was eventually found which is elaborated further below.

The major bone of contention was around the decision adopted in Katowice last year (under paragraph 77(d) of decision 18 of the Conference of Parties meeting as the Parties to the PA [CMA]) on 'modalities, procedures and guidelines for the transparency framework...'. (Paragraph 77(d) relates to Parties being mandated to provide information related to Article 6 to track progress in implementing and achieving their NDCs).

(Paragraph 77 (d) of the decision states as follows:

77. "Each Party shall provide the information...in a structured summary to track progress made in implementing and achieving its NDC under Article 4, including:

(d) Each Party that participates in cooperative approaches that involve the use of internationally transferred mitigation outcomes towards an NDC under Article 4, or authorizes the use of mitigation outcomes for international mitigation purposes other than achievement of its NDC, shall also provide the following

information in the structured summary consistently with relevant decisions adopted by the CMA on Article 6:

(i) The annual level of anthropogenic emissions by sources and removals by sinks covered by the NDC on an annual basis reported biennially;

(ii) An emissions balance reflecting the level of anthropogenic emissions by sources and removals by sinks covered by its NDC adjusted on the basis of corresponding adjustments undertaken by effecting an addition for internationally transferred mitigation outcomes first-transferred/transferred and a subtraction for internationally transferred mitigation outcomes used/acquired, consistent with decisions adopted by the CMA on Article 6;

(iii) Any other information consistent with decisions adopted by the CMA on reporting under Article 6;

(iv) Information on how each cooperative approach promotes sustainable development; and ensures environmental integrity and transparency, including in governance; and applies robust accounting to ensure inter alia the avoidance of double counting, consistent with decisions adopted by the CMA on Article 6.)

During the informal consultations organized by the SBSTA Chair to resolve the impasse, sources said that groups of Parties could be seen discussing in huddles. The consultations ended around 8 pm. It seems that despite arguments from developing countries explaining their position, developed countries led by the **United States (US)** wanted assurance that Parties would get down to discussing paragraph 77(d) in the ongoing session and did not want the issue to be sidelined.

Developing countries from the **Like-Minded Developing Countries (LMDC)**, **Africa Group** and **Arab Group** of countries proposed that discussions on the ETF agenda item 10(b), be suspended till negotiations on Article 6 are concluded. They explained that they were concerned that work in the transparency group would prejudice the negotiations on Article 6. They wanted the assurance that nothing should prejudice the negotiations on the rules of implementation in relation to Article 6. Some negotiators from these groups also explained that paragraph 77(d) had terms such as ‘corresponding adjustments’, and ‘internationally transferred mitigation outcomes (ITMOs)’ which were still pending agreement under the negotiations.

They also expressed alarm that discussing the transparency framework of a subject that was not even agreed to yet “was like putting the cart before a horse.” Speaking to TWN, a developing country negotiator lamented that the Article 6 mechanisms are not in place yet. “Terms such as ITMOs do not have definitions. We will have to negotiate and arrive at a common

understanding of ITMOs and everything else under Article 6. How can we commit to providing information on something we have not even agreed on?” questioned the delegate.

Sources also revealed that developed countries led by the **US, Australia and Switzerland** were of the view that Parties had the mandate to discuss both the transparency framework and Article 6 and therefore they were not in a position to accept any proposal to suspend discussions on any matter related to transparency framework. The US wanted to discuss paragraph 77(d) and to share their views and make submissions on it, added the sources further.

Explaining the politics behind the issue, a seasoned developing country observer told TWN that there could be concerns among some developing countries that developed countries wanted to advance work on the market mechanisms through the transparency framework reporting, if the developed countries could not get what they wanted in the on-going negotiations under Article 6.

Following the huddles, Parties agreed on a way forward. Sources said that the SBSTA Chair said that according to his understanding, there was agreement to proceed with work on Article 6 and the transparency framework agenda, with the assurances that issues not related to Article 6 are prioritized and paragraph 77(d) of the CMA decision is not prioritized as Parties work through the issues under agenda item 10(b). The SBSTA Chair also said that no discussions are conclusive unless Parties so agree.

It was also decided that discussions on Article 6 and paragraph 77(d) would not overlap and this would allow experts to participate in both the discussions if they so wished. The Chair invited Parties to bring to his attention any concern that Parties may have in response to which the Chair would find a way to respond to the concerns of Parties.

The SBSTA Chair also said that he would guide the cofacilitators to conduct work accordingly and that it was a “gentlemen’s agreement”.

It is expected that the SBSTA Chair will organize another contact group on 19 June to launch work on Article 6 (given its earlier suspension). Work on agenda item 10 as a whole on the ETF would also move forward, with the understanding that those items not related to Article 6 would be prioritized under the agenda item.

Sources also said that the US “reluctantly” agreed to the assurances of the SBSTA Chair and said that they

would have to revisit the mode of work in the session depending on the progress of work.

(SBSTA agenda item 10 is on the ETF and is titled ‘methodological issues under the PA, with 5 sub-components on: common reporting tables/common tabular formats for the electronic reporting of information on national inventory reports of greenhouse gases; information necessary to track progress made in implementing and achieving NDCs; information on financial, technology development and transfer and capacity building support provided and mobilized; outlines of the biennial transparency report, national inventory document and technical expert

review report and training programmes for technical experts participating in the technical expert review.)

The second day of the Bonn talks also saw work begin in contact groups and informal consultations on several matters which included work on the ETF; terms of reference for the 2019 review of the Warsaw International Mechanism for Loss and Damage, matters relating to the Adaptation Fund; scope of the next periodic review of the long-term global goal under the Convention and of overall progress towards achieving it; and the programme budget for the biennium 2020–2021 of the Secretariat.