

## Parties begin work on “unresolved issues” over market/non-market mechanisms

Bonn, 20 June (Perna Bomzan): Work to develop the operational details of the market and non-market mechanisms under Article 6 of the Paris Agreement (PA) was launched on 19 June, at the resumed first meeting of the contact group organised by the Chair of the UNFCCC’s Subsidiary Body for Scientific and Technological Advice (SBSTA), at the Bonn climate talks.

Among the tasks identified was to begin work by identifying the issues that are “unresolved”, before moving into the development of a negotiating text.

(The negotiating text for the discussions is an issue, as there are two texts that were developed in Katowice, Poland last year, at the UNFCCC’s 24<sup>th</sup> meeting of the Conference of Parties (COP 24) - one was a text forwarded by SBSTA to the COP (of December 8) and another which was developed by the Polish COP Presidency which was put forward on 14 December, 2018).

At the contact group meeting on 19 June, **SBSTA Chair (Paul Watkinson from France)** proposed the mode of work as follows:

- The contact group will meet at least two more times to track progress and it will be responsible for preparing the formal conclusions. Substantive negotiations on all three agenda items under Article 6 (i.e. on the international transfer of mitigation outcomes (ITMOs) under Article 6.2; the sustainable development mechanism under Article 6.4 and the framework for non-market approaches under Article 6.8) including the development of negotiating text will be managed by informal consultations and Parties would decide whether spin-offs are required for “unresolved” issues. Also, no “parallel” discussions would take place to allow for “inclusiveness”, taking note of small delegations

- The first report on progress made would be presented in the second meeting of the contact group later in the week and the informal consultations are expected to finalise work by 6 pm on 25 June, to allow the closing of the contact group in its third meeting on 26 June.
- Further, to ensure transparency in the negotiation process, the SBSTA Chair invited Parties to allow the informal consultations to be open to observers with the understanding that they would be closed for “sensitive” issues at the request of Parties.

Following the contact group meeting, at the first informal consultations, the co-facilitators, Hugh Sealy (Barbados) and Peer Stiansen (Norway) proposed the working modalities as follows: first step is to aim at “stabilising” the draft negotiating text; second step is to “identify unresolved issues” that needs to be addressed in this session and in “more informal setting in spin-off groups”; third step is to launch the spin-offs and report back; fourth step is to address the unresolved issues in informal consultations and capture progress made in the next version of the text. Further, considering the concerns of small delegations, no parallel spin-offs would be organised but “sequentially” in “non-negotiation hours”. Parties were then invited to present their opening statements.

**Saudi Arabia** speaking on behalf of the **Like-Minded Developing Countries (LMDC)** raised a “point of order”, and raised concerns over on what issues would remain at informal consultations and what issues would go to the spin-offs. Further, it also pointed out its concerns over the scheduling of informals and spin-offs given already “six hours” of informals and going beyond non-negotiation hours after 6pm.

**Egypt** for the **Arab Group** echoed similar concerns. It further sought clarification on what was meant by the “stabilisation” of the draft negotiating text, given the two versions of the texts on the table.

**Brazil** also expressed similar concerns on the “stabilising of the draft negotiation text,” as a first step, stressing that Parties had to “tackle the issues first before we tackle any text”. It underscored that “there is no understanding that we have given you the mandate to produce a text” and that there are “risks of undermining the confidence to tackle the substantive issues”. It stressed the need to reach a “collective understanding of the challenges and progress made” and then to discuss on how to move forward on the negotiating text.

**Saudi Arabia** for the **LMDC** echoed Egypt and Brazil and made clear that “there is no mandate to produce texts” and that “Parties need to have “all-inclusive” discussions on how we will begin to formulate the text”.

**Senegal** for **Africa Group** stated that it will not “prejudge” the need for spin-offs and if a consolidated text is decided then “all options of both the texts” should be considered as well as “approved by all Parties before substantive discussions”.

**India** also sought clarification on what was meant by the “stabilisation” of texts.

**Belize** for **Alliance of Small Island States (AOSIS)** as well as **Costa Rica** for **Independent Alliance of Latin America and the Caribbean (AILAC)** welcomed the proposal for spin-off groups and a “stabilised text,” while **Tuvalu** for the **Least Developed Countries (LDCs)** stated that although the approach of “stabilising the text” was acceptable, “we need to find a way of nuancing that in an appropriate manner”.

**Canada** and **Australia** welcomed both spin-offs and a stabilised text while the **European Union (EU)**, **New Zealand** and **Switzerland** for **Environmental Integrity Group (EIG)** also supported the idea of a “stabilised text.” The **United States** said that although concerns have been raised about a consolidated text, it could support the proposal.

At the end of the first informal consultations, given too many concerns around the approach for a stabilised text, the co-facilitators acknowledged that “for now, we do not have a mandate” and informed that in the second informal consultations in the afternoon, the unresolved issues would be taken up collectively.

At the second informal consultations held later, the co-

facilitators stated the objective of gathering all unresolved issues in a list of 10-20 issues in order to unlock those issues in the third informal consultations the following day. Spin-offs would be organised with Parties’ consent which would ultimately lead to another iteration for the draft negotiating text.

**Saudi Arabia** for the **LMDC** did not want a limit to be placed on the number of issues as this was “not conducive to a Party-driven outcome”. It further said that “discussions should be open as much as possible” and that the issues to be resolved could be based on the December 14 version of the text, underlining that it would bring other issues on the table if the other version of the text was considered.

**Egypt** for the **Africa Group** also listed its issues based on the December 14 version of the text as well as **India** who pointed out additional issues to that of Saudi Arabia and Egypt.

The **EU** proposed that “fundamental disagreements needs to be clustered”.

At the end of the session after hearing statements from Parties, the co-facilitators came up with a list of fourteen clusters of unresolved issues across the Article 6 related agenda items. Five of the cluster of issues will be discussed in the third informal consultations on 20 June with a duration of one hour for each cluster of issues.

Among some of the unresolved issues include the definition of ITMOs; linkages between ITMOs under Article 6.2 and the sustainable development mechanism under Article 6.4; governance and oversight; nationally determined contributions (NDCs) and types of NDCs types; reporting, review, recording and tracking and sequencing with NDCs accounting; share of proceeds; response measures etc.

The next informal consultations will consider the following five issues: the governance issues around the non-market approaches under Article 6.8 and the sustainable development mechanism under Article 6.4 mechanism; the design of activities under Article 6.4; what are ITMOs under Article 6.2 and all NDC types and metrics under Article 6.2.

*Edited by Meena Raman*