
Paris Agreement Art. 6 cooperative approaches: Opportunities for Central Asia

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Background document
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At COP26 in Glasgow, countries reached an agreement on the future of cooperative approaches under Art 6. of the Paris Agreement for both market-based and non-market-based approaches.

Article 6 allows cooperation with potential economic benefits and represents the future of bilateral and multilateral cooperation addressing climate change and sustainable development locally and globally.

It offers a range of cooperation opportunities among Parties:

- Direct bilateral cooperation (Article 6.2),
- New mechanism replacing old flexible mechanisms of the Kyoto Protocol (Article 6.4),
- Non-market-based approaches (Article 6.8), i.e. not transactions and not “regulated” under the rules of Articles 6.2 or 6.4.

Point 6.2 regulates bilateral actions for GHG emissions reductions/removal, 6.4 introduces a multilateral mechanism replacing the CDM, and 6.8 introduces non-market international cooperation.

The new rules pave the way to cooperation opportunities between governments and between governments and the private sector.

On the one hand, countries may have cost savings by lowering their abatement costs; on the other, they may benefit from decarbonisation efforts in critical sectors of their national economies, such as energy, agriculture, housing, industry, forests, etc.

Article 6.2 cooperation between two governments that are Parties to the Paris Agreement will generate internationally transferred mitigation outcomes (ITMOs).

Countries purchasing carbon credits can count emission reductions that have taken place outside their national territory towards their own targets.

Art. 6 rules are aiming at addressing some of the critical issues emerged with the previous mechanism of the Kyoto Protocol - Joint Implementation (JI) and Clean Development (CDM) - through:

- Avoidance of double counting: Article 6 provides for an adapted accounting framework to avoid “double counting” of emission reduction;
- Funding the Adaptation Fund: a 5% fee on carbon credit transactions (share of Proceeds) under the Article 6.4 mechanism (replacing the Kyoto Protocol Clean Development Mechanism-CDM) will be transferred to the Adaptation Fund;
- Global emissions mitigation guarantee: 2% of carbon credits will be cancelled and thus no longer count towards any climate targets to increase mitigation actions in Article 6 transactions;
- Partial credits from CDM: some partial credits residuating from legacy CDMs may be transferred to the Paris Agreement mechanisms of Article 6.4 only if generated after 2013 and if they are used for the first NDCs only (applicable by 2025 or 2030 for most countries).

What kind of projects can be developed?

Hereafter are some examples of project-based actions for future reflections on art. 6 cooperation opportunities in Central Asia.

National schemes: Spanish CLIMA projects for non-EU ETS sectors

The Spanish government created the domestic project scheme known as CLIMA Projects in 2012. GHG emission reduction projects used approved methodologies in sectors not covered by the EU ETS, i.e. the so-called “diffuse sectors” (transport, agriculture and livestock, residential, commercial and institutional, waste). The projects have a crediting period of four years. The emission reductions, verified by certification bodies, are purchased by the government according to a specific contract between the project owner and the Spanish government.

Renewables connected to national grids in LATAM countries

Some Latin American countries have been particularly active in implementing grid-connected renewable energies. Over the last twenty years, they developed many projects - as individual projects or as programs of activities. Practically, all the new capacity installed in Central and South American countries in this period has been renewable or has technological improvement measures compared to the previous Business as Usual

power generation scenario. The support of multilateral cooperation entities such as the IDB, CAF, UNDP and the WB has been key to the successful development of zero or very low emissions projects.

Bus Rapid Transit Systems (BRT)

BRT is a system designed to increase the efficiency of public transport in urban environments. BRT consists of creating a bus lane segregated from the general circulation of vehicles, whose stops are interconnected to other systems such as the metro or railway. BRT supports a modal shift in transport within cities and in peri-urban systems, which reduces GHG emissions and other atmospheric pollutants and improves the health and quality of life of the general population.

Use of Upstream GHG Emission Reductions in the oil and gas industry for compliance of EU Fuel Quality Directive: flare avoidance projects

The European Fuel Quality Directive obliges oil companies and distributors to market petrol and diesel fuels with a minimum biofuel composition (5% petrol and 7% diesel). Where these percentages are not achievable for technical reasons or high economic costs, the company can substitute GHG equivalent reductions with certified emission reductions in the upstream process in the oil and gas industry. These actions avoid the flaring of gas associated with crude oil and encourage energy efficiency in extracting and transporting crude oil and natural gas to the European Union.

Some art. 6 cooperation projects may consist of large-scale, nature-based solutions – such as improved forest management, reduced deforestation or reforestation activities. Landscapes, biodiversity and nature will be key cooperation areas during the United Nations Decade on Ecosystem Restoration, Additionally, NbS play a key role in adapting to climate hazards, especially linked to water flows and erosion, slope stabilisation, etc. Nature for infrastructure-related planning supports both environmental and development needs.

An innovation: art. 6.8 NMAs

Art. 6.8 introduces an exciting innovation, making possible climate “non-market approaches” (NMAs).

NMAs may finance energy efficiency and climate finance policy measures to implement a specific mitigation outcome with adaptation co-benefits (like interventions at the neighbourhood or city scale) and support a “just transition” with an eye on social aspects. NMAs have to involve the public and private sectors, including civil society participation and support the implementation of NDCs.

Interesting reflections in this line come from the Joint Declaration on Enhancing Climate Action 2020, the US and China released at COP26 in Glasgow. They listed a series of activities to reduce emissions that could be art. 6.8 actions, such as: regulatory frameworks and environmental standards related to reducing emissions of greenhouse gases, maximising the societal benefits of the clean energy transition, policies to encourage decarbonisation and electrification of end-use sectors, key areas related to the circular economy, such as green design and renewable resource utilisation.

The broad horizon opened by NMAs is of particular interest for Central Asia because under art. 6.8 might fall actions such as support to regulating energy-inefficient sectors like buildings and industry, without complying with direct market transactions like in art. 6.2 projects.

Art. 6.8 is a new avenue, still open to finding appropriate solutions and concrete implementation ideas.

Way forward

Presently, the easiest way to engage with art. 6 is establishing point to point cooperation agreements under art. 6.2, while detailed rules on the mechanism of art. 6.4 and further reflections on art. 6.8 are being developed. However, Countries and Regions like Central Asia need to start a concrete evaluation of their current framework and potential for developing future cooperation activities as early as possible.

Central Asia is a crucial region to invest in for promoting and implementing actions through bilateral and multilateral cooperation. The international community and Central Asian countries should express readiness for close collaboration to continue productive dialogue and exchange of professional experience.

Those opportunities are connected to the countries’ climate mitigation and adaptation commitments and their financing need in the respective Nationally Determined Contribution documents (NDCs).

2022 is the year where Central Asian Countries must undertake, individually and as a Region, a serious assessment of their potential for exploiting all the opportunities of art. 6: what is the framework, define priority sectors for developing cooperation activities, scout multilateral and bilateral opportunities.

The goal is to make Central Asia a protagonist in international climate change negotiations and become attractive for market and non-market-based activities.

The role of UNFCCC negotiation groups for the decision on art. 6.8

The international emissions market was one of the biggest challenges to reaching a final agreement text during the negotiation of the text of the Paris Agreement at COP21 in December 2015.

A third option emerged to create an alternative to trading emission reduction units or atmospheric carbon dioxide removals between countries (art. 6.2.) and the project-based mechanisms (art. 6.4.). The negotiating group known as ALBA, Alianza Bolivariana de los Pueblos de Nuestra América (Bolivarian Alliance for the Peoples of our America- Cuba, Granada, Nicaragua, Venezuela, Ecuador and Bolivia), registered in 2015, put forward the idea of a new form of cooperation based on non-market approaches not resulting in the generation of units. Such cooperation without offsets would operate within the scope of the climate commitments of the promoting and donor countries.

NMAs, (non-market approaches) were finalised in the Glasgow COP26 Decision CMA-12c “Work programme under the framework for non-market approaches referred to in Article 6, paragraph 8, of the Paris Agreement” to:

- promote mitigation and adaptation ambition;
- enhance participation of public and private sector and civil society organisations in the implementation of NDCs;
- enable opportunities for coordination across instruments and relevant institutional arrangements;

NMAs must be conducted “in a manner that respects, promotes and considers respective obligations of Parties on human rights, the right to health, the rights of indigenous peoples, local communities, migrants, children, persons with disabilities and people in vulnerable situations and the right to development, as well as gender equality, empowerment of women and intergenerational equity, consistent with the eleventh preambular paragraph of the Paris Agreement.”

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