

Article 6 of the Paris Agreement for Government institutions in Africa

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Summary:

The Paris Agreement, adopted in 2015, sets the goal of limiting global warming to well below 2°C and continuing efforts to limit it to 1.5°C above pre-industrial levels. Article 6 of the Paris Agreement recognises the importance of cooperation and collaboration between countries to achieve these objectives.

The Article 6 of the Paris Agreement provides a framework for countries to work together to meet their Nationally Determined Contributions (NDCs) objectives to mitigate climate change.

This policy brief aims to inform African government institutions about how the carbon markets landscape is evolving, and the opportunities and benefits of availed by Article 6 to strengthen their climate action. The Brief highlights the collaborative potential, opportunities and benefits of Article 6, while addressing the challenges and limitations of implementation. The brief proposes some recommendations for African government institutions to maximise the benefits of Article 6.

How the Carbon Market Landscape has evolved

The global carbon market, as provided for under Article 6, which focuses on international cooperation to mitigate climate change, has undergone significant changes since the adoption of the Paris Agreement in 2015. Unlike the Kyoto

Protocol, where only industrialized developed countries had emissions reduction or limitation targets, the Paris Agreement provides that all countries, including those in Africa, must take appropriate steps to mitigate emissions and adapt to climate impacts as defined in their Nationally Determined Contributions (NDCs).

Both the Kyoto Protocol and the Paris Agreement stated clearly that countries with commitments to limit or reduce greenhouse gas emissions must meet their targets primarily through national measures. As an additional means of meeting these targets, both treaties introduced market-based mechanisms to facilitate emissions reduction through trading, thereby creating what is now known as the carbon market.

Under the Kyoto Protocol Mechanisms:

The Kyoto Protocol established three flexibility mechanisms to assist developed countries in reducing greenhouse gas (GHG) emissions:

- Emissions Trading (ET): Allowed countries with reduction obligations to trade emissions rights.
- Joint Implementation (JI): Facilitated emission reduction projects between developed or transitioning economies (Annex I countries).
- Clean Development Mechanism (CDM): Enabled **developed countries** to meet their targets by financing emission reduction projects in **developing countries**, while contributing to sustainable development.

Although Africa benefited from a few CDM projects, primarily in sectors like renewable energy, clean cooking, forestry, and waste, the continent's participation has been limited, with the largest projects concentrated in emerging economies.

Countries with a better technical and economic base will be more attractive.

The cost can be very different in different locations, for example China, India and Brazil have geographical advantages in energy efficiency, hydro and wind projects respectively. Investments in renewable energy CDM projects in less developed financial markets would face higher risks due to possible shortages of debt and equity finance for example, as well as other negative aspects of the political and economic environment.

Under the Paris Agreement and its Article 6:

Lessons from the CDM experience can help African countries to effectively participate in Article 6 mechanisms, which offer new opportunities for international cooperation.

Article 6 of the Paris Agreement sets out three mechanisms, or approaches, based on international cooperation and designed to help the achievement of the objectives of the Parties' NDCs.

Article 6.2 (Cooperative Approaches)

Article 6.2 of the Agreement (paragraphs 2 and 3 of Article 6 of the Agreement and paragraphs 37 and 38 of the decision 1/CP.21) provides for bilateral/multilateral cooperation between countries, involving international transfers of the mitigation outcomes (ITMOs) produced through such cooperation.

Article 6.4 (Paris Agreement Crediting Mechanism):

Addressed in paragraphs 4 to 7 of Article 6 and paragraphs 37 and 38 of the decision 1/CP.21, this mechanism is operated centrally (6.4 SBM and UNFCCC secretariat) and generates credits and emission reductions by public and private sector

actors, allowed for international transfer or use for any other mitigation purposes.

Article 6.8 (Framework for non-market approaches):

Addressed in paragraphs 8 and 9 of the Article 6 and the para 37 and 38 of the decision 1/CP.21, this framework Facilitates climate action through international cooperation focused on sustainable development and poverty eradication (and does not involve trading of mitigation outcomes).

These Paris Agreement Mechanisms can generate significant opportunities and benefits for African countries, including:

- Contributing to achieving their sustainable development goals.
- Contributing to the achievement of the objectives of their NDC, the conditional component of which is the most significant for several countries in the region.
- Accessing additional funding to support mitigation and adaptation projects.
- Supporting the development and implementation of clean technologies.
- Facilitating innovation and technology dissemination.
- Strengthening national capacities for planning, monitoring and reporting greenhouse gas emissions.
- Strengthening national capacities for planning, elaboration and monitoring, verifying and reporting of NDCs.
- Accelerating the transition to a low-carbon economy.
- Attracting private investment in low-carbon intensity sectors.

Opportunities and benefits of Article 6:

Climate change cooperation:

Article 6 allows countries to cooperate in achieving their NDCs through a variety of approaches, such as joint mitigation and adaptation projects,

technology transfer and capacity building. This cooperation can help African countries leapfrog traditional development stages and gain access to cutting-edge technologies, leading to sustainable development and reduced greenhouse gas emissions.

Sustainable development:

Article 6.4 Mechanism emphasises the importance of sustainable development and poverty eradication. By encouraging cooperation and collaboration, African countries can gain access to clean technologies, sustainable infrastructure and climate-resilient agriculture, contributing to the achievement of their sustainable development goals.

Technology transfer:

Article 6 encourages the transfer of technology and expertise from developed to developing countries. This can help African countries overcome technological barriers and build capacity in areas such as renewable energy, energy efficiency and climate-resilient infrastructure and agriculture.

Capacity building:

Article 6 highlights the need for capacity building and technical assistance to support developing countries in their efforts to combat climate change. This can help African countries to strengthen their institutional and technical capacities, which will enable them to implement their NDCs effectively.

Challenges for African governments:

Complexity:

The Article 6 mechanisms and approaches can be complex, with multiple actors and rules, modalities and procedures involved. African countries may find it difficult to navigate this complexity, which can create barriers to participation.

However, given that the international transactions of the mitigation results of this cooperation can be used by the participating parties to meet their GHG

emission reduction commitments, Africa must ensure the environmental integrity of these transactions, and only solid and transparent rules, procedures and guidelines can make this possible. Africa must therefore take ownership of these rules for effective participation and be their guarantors to achieve the objectives of the Paris Agreement.

Limited resources:

Many African countries face resource constraints that may limit their ability to engage in cooperative approaches under Article 6. This may include a lack of financial resources, technical expertise or institutional capacity.

Limited access to technology:

African countries may face difficulties in accessing clean energy technologies, sustainable infrastructure and climate-resilient agriculture, which may limit their ability to participate in cooperative approaches.

Political and economic situation:

Some African countries face political and economic instability, which can create an uncertain environment for investment and cooperation. This may discourage countries from engaging in cooperative approaches under Article 6.

Recommendations for African government institutions:

Whereas under the CDM, the Kyoto Protocol mechanism in which African countries were involved, governments only had to ensure that the projects and programmes carried out in their countries met their sustainable development criteria, Article 6 of the Agreement requires authorisation for any transfer of ITMOs for use by another country to meet its commitments.

ITMOs transferred to another country for use in meeting its commitments will no longer be counted towards the host country's emission reduction achievements in its NDC, and the transferring

country is obliged to adjust its emissions record in accordance with the ITMO.

Participating countries are required to comply with rigorous UNFCCC participation responsibilities including, reporting rules to avoid double counting of these emission reductions.

It is therefore necessary to build a robust institutional framework with inclusive governance, an infrastructure for tracking ITMOs, monitoring and reporting transactions, and clear and transparent procedures for the effective participation of all stakeholders.

To achieve this, it is necessary for government and other institutions to:

- Develop a robust NDC: strengthen the NDC by including ambitious targets, clear sector strategies and monitoring and reporting frameworks. This will enhance credibility and negotiating power in cooperative approaches and carbon markets.
- Establish a national framework for ITMOs: Development of a transparent and robust national framework for the creation, monitoring and verification of ITMOs is essential for the effective operationalization of Article 6.2. This will enable effective participation in the Article 6.2 mechanism and ensure environmental integrity.
- Encourage capacity building and technology transfer: Encourage capacity building and technology transfer to improve the ability to implement NDCs and to participate in cooperative approaches and carbon markets. This can be achieved through partnerships with international organisations such as the UNECA, UNDP, Paris Agreement Article 6 Implementation Partnership, World Bank, GGGI, UNEP, UNFCCC Regional Collaboration Centre, etc, and private sector entities.
- Promote non-market approaches: Explore and engage in non-market approaches to tackling climate change, such as knowledge sharing, research collaborations and South-South cooperation. These approaches can

complement market-based mechanisms and contribute to sustainable development goals.

- Advocate fair and transparent rules: Engage in international negotiations to ensure that the rules for implementing Article 6 are fair, transparent and environmentally sound. This will protect the interests of African countries and promote equitable participation in cooperative approaches and carbon markets.
- Engage in regional initiatives: Collaborate with regional organisations, such as the African Union and the Regional Economic Communities, UNECA, as well as the African Carbon Market and Climate Finance Alliances, ACMI to develop joint strategies for implementing Article 6 and to leverage regional expertise and resources.
- Develop capacities for corresponding adjustment: It is necessary to develop capacities in African countries because different methods have been defined for the application of such concept. Corresponding adjustments are necessary to prevent double counting of emissions reductions. When one country transfers emissions reduction units to another country, the seller country must add those emissions units on its emissions inventory, and the buyer country must subtract them to its emission inventory. This ensures that each emissions reduction is only counted once towards the global goal of reducing greenhouse gas emissions and is reflected in what is called an “emission balance” provided by both countries in their reporting obligations

To maximise the benefits of Article 6, African government institutions should:

- Strengthen their institutional capacity to actively participate in Article 6 mechanisms.
- Develop national strategies and, identify opportunities for international cooperation for low-carbon mitigation and development.
- Define how Article 6 activities relate to the country’s NDC (NDC Engagement).
- Defined a national Article 6 strategy.

- Analyse the gaps in terms of Capacity / Institutional frameworks.
- Facilitate comprehensive engagement across all sectors of government.
- Build Cooperative Agreements with other Countries.
- Nominate an Article 6.4 Designated National Authority (DNA).
- Nominate an Article NDA / 6.2 Institutional Setup for authorization.
- Define transparent criteria for authorizing activities and ITMOs.
- Define types of activities to be authorized for ITMO transactions (Positive / Negative List).
- Identify and implement pilot initiatives.
- Develop and operate a National Registry or decide to relay on other registries or to the international registry to track ITMOs transacted and be able to report to the UNFCCC secretariat.
- Agree on the accreditation of mechanisms (6.4 mechanism, independent standards/ etc.) involved in the ITMO transactions in the country.
- Build the capacity of the private sector & other actors for Article 6 participation.
- Develop criteria for projects approval and MOs issuance and transfer of ITMOs.
- Define methodologies and processes for applying the corresponding adjustment.
- Define processes and procedures for submission of the initial report.
- Define processes and procedures for submission of the Agreed Electronic Format Report (AEF).
- Define processes and procedures for submission of the Regular Report (Annex to the Biennial Transparency Report).
- Promote transparency and accountability in the implementation of Article 6 mechanisms.
- Encourage private sector participation in mitigation and adaptation projects.
- Collaborate with other countries and international organisations to share knowledge and best practice in climate cooperation.

Conclusion:

For effective participation in the new carbon market landscape under the **Paris Agreement**, African countries must build on lessons from the **CDM** and ensure compliance with **Article 6** requirements.

Article 6 cooperative approaches and carbon markets can help African countries meet their NDC targets, foster sustainable development and access new sources of climate finance.

Developing a sound institutional and legal framework, backed by technical expertise, will be essential for maximizing the benefits of carbon markets without jeopardizing national climate commitments.

The Glasgow framework for non-market approaches can also play a very important role in supporting African countries in combating poverty, facilitating the transfer of clean technologies and financing adaptation projects and programmes.

About the African Climate Policy Centre

The African Climate Policy Centre is a hub for demand-led knowledge on climate change in Africa. It addresses the need for improved climate information and the strengthened use of such information for decision-making in Africa by improving analytical capacity, knowledge management and dissemination activities.

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