



RESEARCH BRIEF

Advancing International Cooperation under the Paris Agreement: Issues and Options for Article 6

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Article 6 of the Paris Agreement allows Parties to cooperate by transferring mitigation outcomes, promising significant reductions in the cost of achieving mitigation commitments and a potential means of closing the persistent gaps in climate ambition and climate finance. Leveraging this potential will depend on operational details agreed by Parties, yet such agreement has proven elusive in the international climate negotiations. This Working Paper identifies the most critical negotiating issues that have prevented agreement to date, traces the positions of key Parties and Party groupings, describes possible outcomes and their implications, and addresses prospects for compromise and consequences of a failure to reach multilateral agreement.

Article 6 of the Paris Agreement enables Parties to engage in voluntary cooperation as they implement their nationally determined contributions (NDCs). Specifically, Article 6 sets out three pathways for voluntary cooperation:

- cooperative approaches through the use of internationally transferred mitigation outcomes (ITMOs) in Article 6.2;
- a new crediting mechanism, sometimes referred to as the “Sustainable Development Mechanism”, in Article 6.4; and
- a framework for non-market approaches in Article 6.8.

Although Article 6 omits explicit reference to carbon markets, it firmly anchors market mechanisms in the

Paris Agreement with the two options set out in Article 6.2 and 6.4, and thereby leverages the promise of such mechanisms to lower the cost of achieving agreed climate policy outcomes. A recent study suggests that the compliance flexibility introduced by Article 6 can reduce the overall costs of mitigation under currently submitted NDCs by approximately US\$ 300 billion per year in 2030, echoing earlier estimates of savings of similar magnitude. Such cost reductions, in turn, can increase the latitude of countries to scale up global climate ambition by unlocking additional resources that can be diverted to mitigation activities. Calculations of the additional mitigation achievable by reinvesting avoided cost are, again, staggering, and would roughly allow doubling already pledged emission reductions annually through 2030.

Given the substantial shortfall between currently pledged NDCs and the ambition required to achieve the temperature stabilization targets of the Paris Agreement, international cooperation under Article 6 has been described as a necessary ‘tool to promote more mitigation action ... and pave the way for progress within the next NDC cycle.’ Critics have countered that Article 6 could weaken ambition under the Paris Agreement if it lacks sufficient integrity or creates a distorted incentive for future NDCs. With a recent synthesis report of NDCs confirming that a majority of Parties intends to use Article 6 as a source of climate finance or as a means to achieve pledged emission reductions, the stakes for Article 6 are high.

Importantly, however, the treaty provision that constitutes Article 6 in the Paris Agreement is sparsely worded and replete with vague concepts. Such ‘constructive ambiguity’ – often a deliberate choice to accommodate conflicting viewpoints – can compromise implementation of Article 6 by leaving room for divergent interpretations of key operational elements and creating uncertainty. Parties have therefore been engaged in developing rules and guidance for implementation of Article 6 since adoption of the Paris Agreement. Just as Article 6 was the last provision Parties agreed upon when the Paris Agreement was adopted, however, its operationalization continues to defy a negotiated outcome.

In the decision formally adopting the Paris Agreement and several provisions of the treaty itself, Parties set out mandates to elaborate decisions with operational details on a broad set of issues ranging from mitigation and adaptation to transparency, accounting, compliance, and assessment of progress. Scheduled to conclude during the Meeting of the Parties to the Paris Agreement (CMA) in December 2018 in Katowice, Poland, this process – formally known as the ‘Work Program under the Paris Agreement’ (PAWP) – resulted in a comprehensive set of decisions that are colloquially referred to as the ‘Paris Rulebook.’ One agenda item in this work program has eluded consensus so far, however: the operational details of Article 6.

Working through the Subsidiary Body for Scientific

and Technical Advice (SBSTA), Parties have been locked for half a decade in negotiations on decisions that provide guidance on cooperative approaches under Article 6.2 and elaborate rules, modalities, and procedures for Article 6.4. Over this period, delegates have debated a succession of formal and informal texts of varying length, detail, and maturity, with numerous options and extensive bracketed text revealing the heterogeneity of views across Parties. Despite going into overtime during both COP24 in Katowice and COP25 in Madrid, Parties failed to bridge their differences on several key issues in the operationalization of Article 6, ultimately mandating SBSTA to build on existing progress and elaborate new recommendations for adoption during COP26 in Glasgow.

Following an unprecedented hiatus in the climate negotiations due to the global pandemic caused by the novel coronavirus, Parties have scrambled to make up for lost time, yet a successful outcome at the Glasgow summit remains far from guaranteed. Discussions resumed in the second half of 2020, but remained informal, hampered by the virtual format. Despite a constructive series of multilateral consultations with Heads of Delegation (HoDs) and coordinators of regional negotiating groups convened by the COP25 and COP26 Presidencies, and informal technical expert dialogues hosted by the SBSTA Chair, apparent progress in 2021 has remained slow. Reviewing the outcomes of informal ministerial consultations in July 2021, the facilitators of those meetings warned that ‘progress on Article 6 was well behind time, and any further delays on a deal in Glasgow on Article 6 might erode ambition, transparency, accountability, and support.’

Parties have consistently identified a limited number of issues in the Article 6 negotiations that remained unresolved at the end of COP25. Among the most contested are:

- Accounting for Article 6.4 reductions generated outside the scope of host Party NDCs;
- generating finance from Article 6.2 to support adaptation action (share of proceeds);
- transitioning unused emission units generated before 2020 to meet NDC targets;

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- ensuring overall mitigation in global emissions (OMGE) under Article 6.2; and
- baseline setting and additionality determination under the Article 6.4 mechanism.

Each of these critical issues is described in greater detail in the Working Paper, with a discussion of the substantive issues, the contending positions of key Parties and negotiating groups, and potential 'bridging options' that could enable a compromise outcome. On each issue, draft decision language proposed by the COP25 Presidency during the final day of negotiations in Madrid is included for reference, although it neither represented a consensus of views at the time, nor necessarily offers the most likely starting point for formal negotiations during COP26. Still, it provides a sense of what the COP25 Presidency considered possible 'landing zones' for compromise on key issues during the last formal Meeting of the Parties before the COVID-19 pandemic, and has been frequently cited by Parties in their submissions and statements since.

Past negotiations have repeatedly shown that 'nothing is agreed until everything is agreed', meaning that an agreed outcome will often emerge as a result of mutual concessions and arrangements. How that process unfolds, and which Parties will be willing to relent on one or more concerns in return for accommodation of their central priorities, is often unpredictable. Still, the survey of stated positions provided in this discussion paper can serve as a helpful starting point to understand the interests and motivations of those actors whose agreement will be necessary to arrive at a workable compromise in Glasgow. With insufficient time to reset negotiations and begin the process afresh, these views and the deliberations in which they have been expressed – including the latest round of informal technical expert dialogues facilitated by SBSTA in September and October 2021 – provide a vital milestone for delegates to resume where they left off at COP25.

Ultimately, if the aspiration of Article 6 – according to its wording – is to 'allow for higher ambition in mitigation and adaptation actions', then lacking uptake could impede more ambitious pledges. For that aspiration to be realized, however, Article 6 has to

secure a high standard of environmental integrity. Experience with earlier carbon markets leaves little doubt that robust governance, both at the multilateral level and in the bilateral arrangements between Parties, will be critical for the enduring viability of Article 6. If its operationalization is unable to ensure alignment with the temperature stabilization goals of the Paris Agreement, it will only be a matter of time before confidence in the market dwindles, as it already did once under the Kyoto Protocol.

That does not, however, mean that negotiators should always err on the side of the most ambitious option for each issue currently under discussion. While the 'San José Principles for High Ambition and Integrity in International Carbon Markets' may have commendable intentions, for instance, some of the principles, if interpreted and applied literally, could effectively prevent Article 6 from fulfilling its potential to enable ambition by lowering the cost of achieving mitigation targets. A balance between stringency and flexibility is therefore essential.

Still, whether Parties at COP26 can overcome their past divisions to achieve a balanced outcome is everything but certain. With all other elements of the 'Paris Rulebook' finalized, concerns and preferences that Parties were willing to set aside in the interest of a successful result in Katowice, including deeply held views about the nature and objectives of the Paris Agreement, risk being drawn to the surface during negotiations on Article 6. Already, as the analysis in this discussion paper has shown, Parties are alternately invoking specific provisions of the Paris Agreement and general principles and objectives to justify their position, echoing the recursive argumentation patterns of international relations more generally. Yet agreement is not altogether out of reach. Despite the long hiatus in formal negotiations occasioned by the global coronavirus pandemic, Parties have not remained idle. As they reconvene, they will be equipped with both a better understanding of the implications of alternative policy choices, and a better sense of the viewpoints and positions of their fellow Parties. Improved knowledge may, in the end, be the key to unlock the transformational potential of Article 6 in Glasgow.

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