

How to build cooperative approaches to meet global climate goals (PART 1)



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Numerous obstacles are blocking climate change improvements but collective action among key stakeholders can facilitate progress.

In brief

- ▶ The Paris Agreement adopted in 2015 offered guidance in Article 6 on the path to climate change but walls remain that are blocking progress.
- ▶ Market transparency and integrity are essential to build bridges that will help facilitate cooperation among key stakeholders on climate issues.
- ▶ Sharing of best practices and educational opportunities by more experienced stakeholders is needed to cultivate broader engagement.

navigate the roadmap offered by the Paris Agreement, several actions are required by stakeholders to successfully achieve meaningful progress.

Cooperation between diverse stakeholders is essential

Cooperation between the different stakeholder parties is a prerequisite for a successful Article 6 implementation and overcoming many barriers to the carbon market's development. One way to overcome these barriers is to increase market transparency and improve the quality of credits. Additionally, voluntary carbon market (VCM) organizations need to demonstrate a willingness to work harder on improving the market's integrity.

VCM players such as standards can, for instance, take on a significant role in upholding IPLCs' rights by establishing explicit safeguarding principles and requirements. These can serve as guidelines for project developers on how to prevent human rights breaches and promote greater participation of IPLCs that are not yet effectively represented in existing carbon markets, especially when it comes to governance and decision-making procedures. Here, the international legal system can also help lay the foundation for inclusive participation of all stakeholders, especially for those that often suffer from fraud and human rights violations as well as land expropriation.

"As a standard, we see our role as an enabler of Article 6 activities," says Hugh Salway, Senior Director, Market Development and Partnerships, The Gold Standard Foundation. "By putting in place the right rules, procedures and infrastructure to support Article 6, we can enable project developers to implement ambitious activities that deliver benefits for the climate and sustainable development. We can also enable governments – both those hosting activities and those using ITMOs towards their NDCs – to realize the benefits of international cooperation."

Jesse McCormick, Senior VP, Research, Innovation & Legal Affairs, First Nations Major Projects Coalition, confirmed, "Consent standards are the most effective way to ensure that risks are mitigated, Indigenous Peoples see benefits from offset projects and past challenges are not repeated."

The cooperative mechanisms under Article 6 also offer the possibility for developing countries to become a partner of choice for developed countries looking to balance their greenhouse gas (GHG) emissions. Developing countries can benefit from the buy-in of the private sector, the private sector can meet its compliance obligations and developed countries can achieve Nationally Determined Contribution (NDC) targets while safeguarding energy security.

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Senior Director, Market Development and Partnerships, The Gold Standard Foundation

Public and private sector should work together

To keep global warming far below the Paris Agreement goals of 2°C above pre-industrial levels, both developed and developing nations must show greater ambition. Adding to the efforts by governments, the private sector may intervene and offer assistance that fits their own objectives regarding decarbonization.

Corporates play a key role in implementing GHG emission reductions on the scale required by the Paris Agreement's long-term temperature target. In addition to acquiring carbon credits, they can support offset projects by providing innovative solutions and start-up capital. The

corporates' goals are primarily financial benefits and a willingness to meet increasingly ambitious "carbon pledges".

Lack of experience, start-up capital, process complexity and the uncertain legal landscape of carbon credits can be barriers to engagement from the private sector. However, blended financing can help lower the risk associated with purchasing carbon credits, digitization can speed up the procedure and an overall simplification and connection to the VCM could help corporations get on board. Establishing unilateral approaches with host countries in the Global South, however, is a fairly simple option that enables corporations to take part in Article 6 implementation. Initiatives for public-private partnerships between IOs and well-connected actors from the commercial sector are crucial to facilitate this process. ■

(CONTINUED IN NEXT EDITION)

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The approaching COP28 conference in Dubai provides an opportunity to reflect on how far the global carbon market mechanism under Article 6 has come since the adoption of the Paris Climate Agreement at COP21 in 2015 (Paris Agreement). Despite Articles 6.2 and 6.4 outlining the opportunities for "cooperative approaches" that stakeholders can use to reach national climate goals, numerous obstacles remain that are preventing its effective implementation.

These obstacles and opportunities - call them walls and bridges - are presented through the lenses of various stakeholders of the international carbon markets: developing countries, developed countries, Indigenous Peoples and local communities (IPLCs), international organizations (IOs) and the private sector. The viewpoints of these stakeholders are unique, yet consistent in acknowledging that they all have a role to play in framing the international policy response to climate change.

Next steps for bringing down the walls and building bridges

No "one size fits all" approach could ever exist for addressing the complex issues of climate change. To better

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How to build cooperative approaches to meet global climate goals (PART 2)



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(CONTINUED FROM PREVIOUS EDITION)

Jacqueline Ruesga, Senior Policy Analyst, International Carbon Markets, Ministry for the Environment, New Zealand, articulates the benefits of international cooperation. She shares, "The option under the Paris Agreement to use international cooperation toward NDCs has allowed New Zealand to set a more ambitious target, increasing global action cost-effectively."

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Article 6 needs pioneers to show the way

The concept of trading mitigation outcomes is not new, but to start the Internationally Transferred Mitigation Outcomes (ITMO) trade, states and organizations must be ready to pave the way. Different stakeholders have complementary experience in carbon market-related themes that can be partially translated to the practical execution of Article 6 thanks to the Clean Development Mechanism (CDM) under the Kyoto Protocol and the VCM. Governments, for instance, can use their knowledge of the CDM for Article 6 governance, while corporations may already be familiar with the VCM. The right conclusions can be drawn from these experiences even though the Article 6 mechanism will differ from earlier carbon market approaches.

The operational and technical assistance provided by IOs is also essential for the efficient execution of Article 6. They encourage international cooperation by providing extensive, technical assistance

and supporting programs aimed at nation-building. By aligning national frameworks with established global norms, IOs also strengthen the institutional framework of Article 6. As a result, IOs can make it easier to comply with international standards and create distinctive national frameworks.

"Under a new UNDP Article 6 Transfer Readiness Project funded by Switzerland, we have started to engage with countries that have bilateral agreements with Switzerland in place, namely Georgia, Ghana, Peru, Senegal, Uruguay and Ukraine," Alexandra Soezer, Global Carbon Technical Advisor, United Nations Development Programme, explains. "We are also working on a digital infrastructure together with the United Nations Framework Convention on Climate Change (UNFCCC), the World Bank (WB) and European Bank for Reconstruction and Development (EBRD) ... to develop an end-to-end digital system to simplify the workflow for project developers and streamline approval processes for governments."

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Global Carbon Technical Advisor, United Nations Development Programme

More dialogue and capacity building will help to increase engagement

To encourage Article 6 implementation, more dialogue and capacity building is necessary to inform all parties about potential pitfalls and benefits, equip stakeholders to make decisions

and increase understanding of the infrastructure needed to operationalize Article 6. Creating opportunities for peer learning are essential to create a common understanding of the Article 6 mechanism, best practices and risk mitigation solutions. This will directly contribute to enhancing the integrity and transparency of the market.

In particular, to help boost developing countries' interest in participating in Paris Agreement-aligned markets, public advocacy activities surrounding the "what, how and why" of carbon markets should be encouraged at a larger scale. As practical experience is still lacking, best practice sharing is crucial to build on each other's knowledge.

Operational and technical support from IOs is also crucial. By offering comprehensive and high-quality technical help and aiding in nation-building initiatives, they promote international cooperation. Here IOs have a responsibility to inform governments, the private sector, VCM service providers and other agencies in the ecosystem that may convince corporates or investors to participate in ITMO trading.

Dewa Ekayana, Policy Analyst, Fiscal Policy Agency, Indonesia, emphasizes the significance of shared knowledge. He states, "So far, the international community has played a significant role in providing research support on carbon pricing to develop several regulations that are closely related to the establishment of a carbon pricing scheme in the country. Indonesia would also benefit from the international community support on lessons learned on carbon standards and carbon pricing structure."

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Policy Analyst, Fiscal Policy Agency, Indonesia

Summary

There is still a long way to go to bring down the walls for Article 6 implementation that requires cooperation by stakeholders, financial resources and capacity building. Additionally, Article 6 builds a new and evolving carbon market not seen before. It puts developing countries at the steering wheel of their own decarbonization targets, provides authority to national governments to regulate the market and issue carbon credits, and encourages public-private cooperation. Effective market build-out will require innovative financing mechanisms, technologies and legal instruments. ■

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