

Official side event of COP27

“Sharing best practices and lessons learned from capacity
building for implementation of Article 6”

Summary of the Event

November 15, 2022, 13:15 - 14:45

@COP27, Sharm el-Sheikh, Egypt

Co-organized by:
Ministry of the Environment, Japan (Lead),
Climate Focus,
Global Environment Centre Foundation,
Global Public Policy Institute, and
the Gold Standard Foundation

Summary of the Conference

At the COP26 of the United Nations Framework Convention on Climate Change (UNFCCC) in Glasgow, negotiators reached the agreement on the implementation guidelines for Article 6 of the Paris Agreement. In order to implement Article 6 in a swift and robust manner, it is important for all stakeholders to understand the rules in the implementation guidelines and to promote its tangible efforts. For that purpose, the Ministry of the Environment of Japan (MOEJ) organized an international conference in February and March of 2022 to discuss institutional arrangements and capacity building for the Article 6 implementation. In addition, inviting experts related to Article 6 of the Paris Agreement, the "Preparatory Meeting for Article 6 Implementation Partnership" was held in Kamakura, Japan in September 2022 to share their capacity-building efforts and discuss future collaborations.

Considering this, in collaboration with international organizations, MOEJ held an official side event at COP27 to share their efforts and challenges in building capacity for Article 6 implementation and to discuss the effective implementation of Article 6 from the viewpoints of both the supply side and the recipient side.

Key takeaways from the event are;

- Capacity gaps exist among government, the private sector, and other stakeholders, and identifying these gaps and providing capacity building to fill these gaps is essential. Systematic and effective supports are necessary since implementing Article 6 is complex and difficult with a wide range of considerations, including interagency coordination, strategic capacity building, and ensuring of environmental integrity.
- There is a gap in capacity building supports between its providers and recipients by regions and sectors. In order to address the capacity-building needs, collaboration among organizations, countries, and regional alliances is important to ensure that the supports are delivered efficiently while avoiding duplication and competition.
- Utilizing knowledges of countries and organizations working on rulemaking for the Article 6 implementation is important for conducting capacity building effectively and efficiently. Information should be shared among a wide range of stakeholders. Due to the fact that institutional arrangement and rulemaking of the Article 6 implementation can be advanced in accordance with situation of each country, the "Article 6 Implementation Partnership" that can be used for knowledge and capacity building will be useful.

Disclaimer

The organizers have made every effort to ensure objectivity and provide a comprehensive summary of the conference, but errors can occur. The organizers assume no liability or responsibility for any errors in this report.

Opening Remarks

Hiroshi Ono, Vice-Minister for Global Environmental Affairs, MOEJ

- It is globally recognized that the market mechanism rules of Article 6 of the Paris Agreement will play a significant role to achieve the 1.5 degree target. Upon the conclusion of the Rulebook for Article 6 of the Paris Agreement at COP26, MOEJ held international conferences, including virtual conferences to discuss institutional arrangements and capacity building for relevant government officials and stakeholders to implement Article 6 and a face-to-face meeting, namely the “Article 6 Implementation Partnership Preparatory Meeting”, to share efforts of capacity building in each country and discuss future collaboration. On 16 November 2022 at the Japan Pavilion, MOEJ will launch the Article 6 Implementation Partnership, which promotes the swift and robust implementation of Article 6 globally.



MOEJ: Hiroshi Ono

Session 1: Status of Article 6 capacity building of the Paris Agreement

UNFCCC Global Innovation Hub Initiative: Carlos Ruiz Garvas

- The UNFCCC Secretariat showed their appreciation to the Japanese government's efforts to promote capacity building for Article 6. The Secretariat introduced their capacity building program, which aims to promote countries' Article 6 activities. The Secretariat established six Regional Collaboration Centers in Asia, the Middle East, Africa, Latin America, and the Caribbean, and through the Centers, the Secretariat provides assistance to developing countries in applying the mechanisms under Article 6 paragraphs 2 and 4 and building institutional arrangement. The aforementioned capacity building program has been managed by collecting inputs and

feedbacks, including from surveys from various stakeholders. For the next few months, the Secretariat will focus on the implementation of the NDC, harmonization of Article 6, and institution arrangement for the promotion of Article 6.2 and 6.4.



UNFCCC Global Innovation Hub Initiative: Carlos Ruiz Garvas

MOEJ: Maiko Uga

- In response to the results of the survey, conducted by UNFCCC, showing that 74% of the 165 countries, which submitted NDCs, were interested in Article 6, MOEJ took two actions this year – international conferences and partnership development for Article 6 implementation. Through the international conferences, identified important points were; (1) to create examples of tracking and recording, (2) to share basic mechanisms and tools, and (3) to expand capacity building efforts, through implementing coordination among organizations, information sharing, and pilot projects. MOEJ is also proceeding the Article 6 Implementation Partnership.



MOEJ: Maiko Uga

Session 2: Sharing of good practices of Article 6 capacity building

Ghana: Daniel Benefor

- Generous support is important. Cooperation and coordination among ministries, government agencies, and the private sector (including financial institutions) is essential, and a central ministry playing a leading role is also needed. The role of the private sector (including financial institutions) and non-state actors, especially civil society (CSOS), are also important for implementing Article 6.
- In Ghana, there is a three-tier system: (1) administrative functions for the existing CDM; (2) a multi-sectoral carbon market committee composed by government, private sector, and CSOS, which establishes procedures for approving Article 6.2 and Article 6.4; and (3) an inter-ministerial body, which directs and oversees contributions of Article 6 implementation to Ghana's NDC achievement and long-term emission reduction targets. Collaboration to the various stakeholders and agencies and continuing of the collaboration is important.



Ghana: Daniel Benefor

IGES: Temuulen Murun

- The "Mutual Learning Program for Transparency" (MLP), a reporting capacity building program under Article 6.2, involves pairs or groups of countries for a practical exercise of reporting. This exercise uses the JCM as a case study and encourages them to ask questions each other. The main points of the exercises are to deepen understanding of JCM terminology and corresponding adjustment and to share information for institutional arrangement for approval.
- Findings identified from this program include; (1) the need for long-term commitment, (2) lack of understanding of basic knowledge (e.g., ITMOs), (3) usefulness of the practical exercises for enhancing the understanding of the guidance of Article 6 and for identifying gaps among

countries, (4) the importance of flexibility in the program, and (5) the importance of practice- and process-based learning.



IGES: Temuulen Murun

UNDP Ghana: Stephen Kansuk

- Article 6 Implementation can only be proceeded through trial and error. Important to increase domestic political commitment. In Ghana, political commitment was high and active in promoting the Article 6 program, as a President's aid was interested in Article 6. Ghana became the first country to approve an Article 6 project with Switzerland this week, demonstrating the high level of commitment.
- For the capacity gaps that exist within governments, private sector, and project proponents, assessment should be performed to identify needs within those stakeholders, and capacity building should be provided. Since recording of Article 6 and applying corresponding adjustment is complex and difficult, having a clear policy direction is important.



UNDP Ghana: Stephen Kansuk

Session 3: Way forward for Article 6 implementation

Panels:

- Climate Focus (Moderator): Sandra Greiner
- West African Alliance: Ousmane Fall Sarr
- Germany BMWK: Rachel Pekker
- Thailand: Puttipar Rotkittikhun
- Peru: Manuel García-Rosell
- World Bank: Chandra Shekhar Sinha
- Global Green Growth Institute (GGGI): Fenella Aouane
- KliK Foundation: Ursula Flossman-Kraus
- The Gold Standard: Hugh Salway



1st round - Understanding the differences and needs of each country and region

West African Alliance:

- The primary need of the 16 member countries is the mapping of public and private stakeholders that already exist in the country. The Article 6 implementation is very different from the CDM, and this change needs to be explained. Implementation support is also needed, including appropriate policy and regulatory frameworks for approval.



BMWK, Germany:

- The capacity building support provided by Germany is based on the needs and requirements of the target countries in order to identify suitable projects for Article 6. The support is provided without bringing in consultants from outside the country and aims that the country will become to handle the project in the long run. We also support capacity building within regional alliances so that they can learn from each other. It is also important to learn through engagement among the private sector and various other stakeholders.

Thailand:

- The four main areas of capacity building needs in Thailand are; (1) strategies related to Article 6 to identify climate change mitigation activities/technologies and their contribution to sustainable development/Thailand's GHG reduction targets, (2) reporting (three Article 6 reports, including corresponding adjustments), (3) compliance of domestic policies with the standards required by Article 6, and (4) improvement of standards to be consistent with Article 6.



Peru:

- There is, in Peru, a need to work with relevant agencies to examine where are potential surplus credits that could be offered to the carbon market once the amount needed to achieve NDC is secured. Peru is putting efforts on capacity building among relevant ministries to promote the understanding how Article 6 could contribute to climate change measures.

World Bank:

- The World Bank categorizes the challenges in capacity building as follows: (1) creation of mitigation outcomes, (2) infrastructure to create markets matching supply and demand, and (3) creation of an enabling environment to address these challenges. With regard to (1), it is necessary to clarify what activities will lead to the achievement of the countries' NDCs from a long-term perspective and how to finance projects. Regarding (ii), it is necessary to build a solid infrastructure that leads to the global market, where reliable, trackable, and transparent. Regarding (iii), it is important to establish a strategy regarding Article 6. It is important to clarify the role of Article 6 in the overall and long-term strategy.



GGGI:

- The greatest challenge in implementing Article 6 is complexity. There is a wide range of issues to be considered, including coordination with various ministries, setting of strategies, and ensuring of environmental integrity. Common languages should be set as those languages are becoming complex due to the involvement of various stakeholders. The rules related to Article 6 should be applied in the context of the national level. Where funds should be invested needs to be considered for effective support.

KliK Foundation:

- Capacity gap in each country exists. The national policies and frameworks allow to prioritize Article 6 activities beyond unconditional NDC pledges, as well as to coordinate among stakeholders and to define systems and processes of approval and reporting. Capacity gaps in the private sector are also available. Capacity building of audit institutions is also needed.



Gold Standard:

- While some private companies have a good understanding of how to use Article 6, others do not. Gold Standard provides support to private companies to deepen their understanding of project design and approval procedures in accordance with Article 6 rules. Gold Standard would share learnings from the perspective of private businesses. In addition, Gold Standard holds bilateral meetings to understand the specific needs and to provide the necessary capacity building.

2nd round - Possibilities for international collaboration

West African Alliance:

- The goal is to promote the development of carbon markets in West Africa to achieve NDC and to obtain funding for this purpose. International cooperation is a key for capacity building and can facilitate mutual learning. Development of infrastructure can be replicated referring to systems introduced in other countries.

BMWK, Germany:

- International cooperation and its coordination are important. It is good to see the progress of coordination under Japan's leadership. It would be good if various stakeholders, including the private sector and youth, could cooperate across sectoral boundaries by leveraging their different strengths.

Thailand:

- The Article 6 Implementation Partnership that Japan is pursuing is useful. Thailand would like to utilize it to strengthen knowledge and capacity.

Peru:

- Article 6 of the Paris Agreement requires parties to make rules in addition to reporting. In this sense, learning lessons from the other countries' experiences is important as it can prevent mistakes, reduce time and costs, and proceed efficiently.

World Bank:

- The partnership that Japan has launched aims to serve as a function of coordination, information platform, and capacity building, all of which are essential for the Article 6 implementation. In collaboration with other multilateral development banks (MDBs), WB conducts monthly working group meetings on Article 6-related capacity building. Similarly, the Climate Market Club holds meetings on Article 6 implementation with the participation of KliK, GGGI, IGES, and others. It is important to provide support in a systematic way.

GGGI:

- GGGI is a member of the Climate Market Club and the Partnership for Market Readiness (PMR). It is important for international organizations to closely contact each other. It is also important to understand capacity building needs in each country. For example, in Senegal, GGGI conducted a survey on capacity building last year and is developing a carbon trading platform based on the results.

KliK:

- Emphasize three activities: 1) experience sharing (international cooperation plays an important role), 2) technical assistance (e.g., establishing country-level frameworks, updating and reviewing NDCs, providing methodological tools), and 3) matchmaking.

Gold Standard:

- It is expected that Article 6 will be introduced in slightly different ways to suit each country's situation. It would be helpful to see some common model to expand the international market. International cooperation to understand what a good model looks like and to raise the standard of how Article 6 is implemented is important.

Closing Remarks

Yoshihiro Mizutani, Director for International Cooperation for Transition to Decarbonization and

Sustainable Infrastructure, MOEJ

- There is a common recognition that many countries wish to build capacity for the Article 6 implementation and that a rapid, robust, and consistent carbon market needs to be established. However, challenges include the existence of a gap between demand and supply of support and the lack of a detailed design of the Article 6 implementation. To address these challenges, Japan launches the Article 6 Implementation Partnership with more than 50 countries and organizations for the purpose of information sharing and mutual cooperation on Article 6.



MOEJ: Yoshihiro Mizutani