

MRV and Carbon Pricing Instruments in the Pacific Alliance – Possible Regional Synergies in Article 6

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The Pacific Alliance



It was **established in 2011** with the objective to *“progressively move towards the free circulation of products, services, resources and people and promote greater growth, development and competitiveness of the economies of its members.”*

The economies of the PA represent more than one third of Latin America’s total GDP (38%). This includes more than half of regional trade (50%) and just under half of direct foreign investment (45%).

- Ecuador and Costa Rica are potential new members
- 63 observer states
- 37 committees, groups and technical subgroups

The four countries gather a population of 225 million persons and have an average per capita GDP of USD 18, 000.



Technical Subgroup on MRV and Climate Change (SGT-MRV)



The **SGT-MRV emerged in 2018** as a response to the 2017 Cali Declaration (June, 30), when the PA reaffirmed their individual and collaborative commitments to the Paris Agreement.

- It includes strengthening systems of measurement, reporting and verification (MRV) of GHG emissions as well as other contaminants with a view to identifying possible carbon market mechanisms within the region.
- This approach emphasizes improved comprehension, compatibility, and collaboration of MRV efforts between countries.



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Pacific Alliance works under a Coordinating Framework with six working areas:

GHG Inventories

Mitigation Measures

Climate Finance

Carbon Pricing Instruments

Governance

Transversal Topics

Among the activities and products defined by the countries:

Climate Finance:

- Baseline reports MRV Climate Finance (Chile, Colombia, Mexico and Peru)
- Community of Practice
- Technical exchanges - Chile and Colombia
- Spotlight paper: Chile. Aligning the national budget process with the MRV of climate finance: What can be learned from Chile's sovereign sustainable bond issuance?
- Implementation of the Climate Financing System in Colombia

Mitigation Actions

- Baseline reports MRV Mitigation Actions (Chile, Colombia and Peru)
- Report on Effectivity and Relevance of Mitigation Actions
- South-South Cooperation Virtual Training Workshops on Climate MRV in the solid waste sector



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Activities and products defined by the countries related to Carbon Pricing Instruments:

- Lessons Learned: Chile – Canada Experience The Generation and Transfer of ITMOs, NDC Accounting and Article 6 Mechanisms (Pilot Exercise)
- Devaluation and competitiveness in carbon market
- VCM status in the Pacific Alliance + Ecuador
- Workshop to strength capacities for the implementation of Art 6 in the Pacific Alliance.
- *White paper: Potential IPC trajectories in the Pacific Alliance under the context of Art 6; and Technical note on how to implement Art 6 in Pacific Alliance and a potential regional carbon market.*

To develop some of the activities/products required on Art 6, the SGT-MRV has some support from:

- Environment and Climate Change Canada (ECCC), and rather recently
- IETA & International Conservation



Regional approach for Art 6 (from the Pacific Alliance)

Advanges

- The Pacific Alliance is a trade bloc for a regional integration with more tha 12 years of operation so there is an institutional platform to potentially Exchange experiences and implement Art 6.
- There is an explicit commitment of the countries and the bloc with the Paris Agreement.
- The operation of the SGT-MRV as a platform for discussing challenges, sharing knowledge and exchanging experiences allows countries to see possible practical improvements and enhance their transparency framework for the implementation of carbon pricing instruments.
- There are complementarities considering that the main emission sector among the countries vary. For example: Energy in the case of Chile and LULUCF in the case of Colombia and Peru.

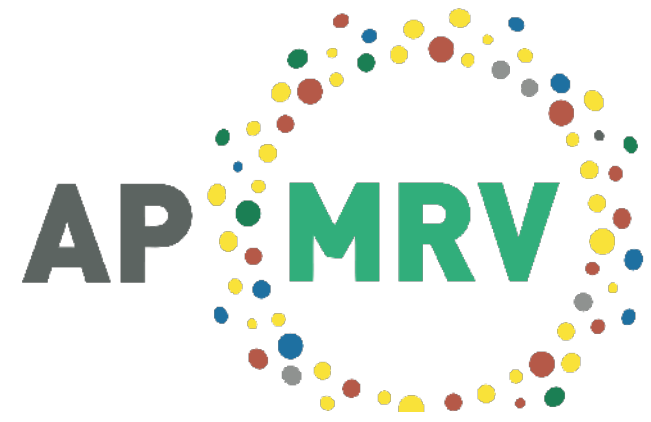
Challenges

- Better understanding about the Art 6 and its differents approaches: 6.2; 6.4 and 6.8. How would Article 6 work in practice? What would an agreement between countries look like?
- Assess the cost and benefits related with Art 6 implementation (including co benefits) especially as mainly selling countries
- Better understanding about how implement and evaluate correctly Art 6 safeguards and limits to see how we ensure that we generate a robust carbon market avoiding internal conflicts ensuring the well-being of the environment and communities.
- Lack of professionals and funding
- Improvements in the institutional infraestructre are required: MRV, agreements, policies, IT systems, among others.



Monitoring, Reporting and Verification Technical Sub-group

PACIFIC ALLIANCE



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