Lessons from piloting for Article 6 negotiations

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What is piloting?

• Piloting = The attempt to prepare a framework for cooperation that is in line with the context set by Article 6 (Paragraph 2) of the Paris Agreement
  • Avoid double counting
  • Ensure environmental integrity
  • Promote sustainable development…

• Who determines how piloting is done?
  • Participating Parties (host Party & using Party): set up framework, define processes, decide on activities authorized

• Pilots will be scrutinised:
  • Public, civil society
  • Constituents of the Parties
  • Official review process under UNFCCC once adopted
Why piloting is different

• Piloting in the context of Paris is (much) more challenging than signing LoAs or buying CERs
  • There is uncertainty
    • On international rules (no Art 6 guidance)
    • On what countries want / relation to NDCs

• Process details not clarified in guidance text (methodologies, validation, verification, timings)

• Decision to authorize requires careful consideration (institutional arrangements) and has implications (CA)

• Worthwhile and necessary – otherwise no credibility, criticism of cooperation (internally or externally)
Switzerland’s pilot thinking: step 1

- **Need for bilateral agreements** between Switzerland and partner country to **set framework** for activities by private actors.

- Core of a bilateral agreement:
  - Authorization process for activities
  - Clarify requirements and steps: verification, human rights, SD, registry
  - Commitments by countries once authorization is issued

- Specific **guidelines** that inform decisions under the bilateral agreement are **set at the respective national level** (Swiss CO₂ law and ordinance and partner country).
Switzerland’s pilot thinking: step 2

- Signature of bilateral agreement (step 1) is not (yet) the moment of authorization of activities

- Authorization of activities comes once both countries support a proposed activity that will happen in the host country

- Authorization could be a long process (details, 2 government administrations need to give green light)

- Investment decision by project developer requires authorization by both countries but commercial contracts are not governed by bilateral agreement -> private sector
Lessons for Article 6 guidance

• **What really matters is TRANSPARENCY**
  - On authorizations of activities: how it is done, when it is official, its implications …
  - On transfers of ITMOs once authorized

• UNFCCC to provide a space that allows Parties to tell the world that an activity is official, what it is (volume, partner, time frame etc.)
  → improve sections on reporting and infrastructure

• Who provides what reporting information?
  Only Parties? Or project developers authorized by Parties?