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Thinking ahead for Europe

Carbon Market Provisions in the Paris Agreement (Article 6)

Andrei Marcu

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Abstract

This paper presents the evolution of the ideas contained in Article 6 of the Paris Agreement, and how these were captured in textual form in different drafts of the agreement.

As a witness to this evolution, the author intends to present a description and interpretation from his perspective. This paper does not intend to reopen the discussion on matters already decided in the Paris Agreement.

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1. Overview of Paris Agreement – Article 6

As predicted, the markets/non-markets text in Article 6 of the Paris Agreement (PA) was one of the last issues to be agreed, in the last night of COP21, shortly before the text went to the COP President, French Foreign Minister Laurent Fabius, for final approval and its subsequent release to the delegates for acceptance on 12 December 2015.

This 'midnight-hour' handling of Article 6 can be attributed to a number of factors:

- The perceived, as well as very real, importance of the topic to the environmental integrity of the Paris Agreement,
- The lateral connection with other important issues in the Paris Agreement,
- The desire of some Parties to hold an agreement on markets to "trade" against other issues that were negotiated in the Paris Agreement and that were important to them, and
- The ideological opposition of some Parties to include any provision that referred to markets or could be seen as facilitating markets in the Paris Agreement.

The markets provisions, contained in Article 6 text of the Paris Agreement and reproduced in the Annex), can be seen as a major success and a minor miracle. Throughout 2015, and during COP21 itself, the prediction was for a very small reference to anything related to markets, or possibly even the total omission of any such reference in the text.

Article 6 of the Paris Agreement is the object of a detailed work programme in the accompanying COP decision. As always, developing detailed guidance, as well as modalities and procedures, as required, will lead to heated debates to interpret what was agreed in Paris.

Understanding the origin of different provisions in the PA, and their evolution, may prove crucial. Losing the institutional memory may lead to attempts, through re-interpretation of the PA, to renegotiate it.

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The views expressed in this paper are attributable only to the author in a personal capacity, and not to any institution with which he is associated, or to the funders or supporters of the paper. This paper is an abbreviated version of a contribution to the World Bank's initiative on Networked Carbon Markets, which will be released at a later date.

The present paper focuses on the provisions in Article 6 of the PA as well as the accompanying COP decision. It looks at these provisions in light of how the text progressed from the paper that the Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP) carried to the Paris session (PA draft 6 November, revised 10 November), the paper that the ADP forwarded to the COP (5 December), as well as papers that emerged from the Committee de Paris process under the COP (9-10 December).

A number of submissions will be referred to, as they had a significant influence on the final outcome, namely: a) Brazil (November 2014); b) AOSIS (December 2015); c) EU-Brazil (8 December 2015); d) LMDC (9 December 2015); e) Panama (9 December 2015) and f) Japan (4 September 2015).

1.1 Evolution of Article 6

Article 6 of the Paris Agreement groups together issues that had originally been spread over a number of articles both in drafts of the PA, as well in drafts of the COP Decision.

In the 10 November, 5 December and 9 December versions of the PA, the provisions in Article 6 were included in "accounting", "cooperative approaches" and "mechanism to support sustainable development". In some versions, parts of the work programme that are currently included in the COP Decision (1/CP.21) were also included in the PA.

In the 10 December 2015 version of the draft PA, we still see a mix, with separate provisions for "cooperative approaches" and "accounting" included in Article 3, while the "SD mechanism provision" remains separate under Article 3ter.

1.2 Paris Agreement - Article 5

Special attention needs to be given to the connection to Article 5 of the PA, which originates in Article 3bis. This article was present throughout many versions of the draft PA, up to and including the 10 December 2015 version.

Article 3bis had, up to and including in the version of 9 December, the heading of "REDD-Plus". It was seen by many negotiators as having two objectives:

- To establish a place in the PA for REDD+ through the creation of a "REDD+ mechanism" and
- To ensure that market approaches were available for financing REDD+ activities.

The discussion of Article 3bis/Article 5 is important in the context of the evolution, and final provisions, of Articles 6.4-6.7, especially to understand the scope of paragraphs 6.4-6.7, and whether it refers to one or more mechanisms. One can argue that there was a "trade-off" between the original Article 3bis and the current Article 5, and the inclusion of REDD+ in paragraph 6.4.

1.3 Scope of Article 6 in Paris Agreement

Article 6 covers a number of concepts:

1. **Cooperative approaches (Paragraph 6.1).** This paragraph covers the general concept that Parties may choose, on a voluntary basis, to cooperate in the implementation of their nationally determined contributions. The interpretation is that it is meant to cover all specific cases of cooperation in Article 6, and others that may emerge in the future.
2. **Transfers of mitigation outcomes (Paragraphs 6.2-6.3)**. These paragraphs cover the concept that Parties, when involved in the specific case of cooperative approaches, which involve mitigation outcomes being transferred internationally, need to observe CMA guidance on accounting. What is particularly important is that these are international transfers of "mitigation outcomes" which can be produced from any mechanism/procedure/protocol, without any reference to the fact that the mechanism/procedure/protocol needs to operate under the authority of the COP.
3. **Mechanism to contribute to mitigation and support sustainable development (Paragraphs 6.4-6.7).** These paragraphs refer to the establishment of a mechanism to produce mitigation outcomes and support sustainable development, and which operates under the authority of the COP. It produces mitigation outcomes that can then be used to fulfil the NDC of another Party.
4. **Framework for non-market approaches (Paragraphs 6.8-6.9).** The establishment of a framework for non-market approaches that will aim to achieve the three issues that are outlined in Article 6.8

Each of the four concepts enumerated above will be discussed in detail below, together with the genesis and evolution of different provisions.

It is also important to recall the reason for having both market and non-market provisions in Article 6. Some drafts of the PA, such as the 9 December 2015 PA draft, had it in Article 3ter a proposal for two mechanisms: Mechanism 1 (focused on market approaches) and Mechanism 2 (non-market approaches).

Some Parties wanted to merge these two mechanisms, through the creation of a generic mechanism that could cover both market and non-market approaches. That can be seen especially in the draft of 10 November where the text on the mechanism which can be found in Article 3ter Option I, is very generic.

Some Parties felt that the strength of this formulation was in its neutrality, as it could cover both market and non-markets. In that context, it could have also been useful as a potential fall-back solution in case no specific provisions on markets could be agreed in the PA.

However the proponents of non-market approaches wanted to ensure that their concerns were present and would not be diluted in a generic provision, and insisted that the two concepts be separated. This resulted in the separation of the two concepts within Article 6, markets in 6.4-6.7, and non-markets in 6.8-6.9.

Having provisions for both market and non-market approaches also provided some balance to the text, and confidence to those Parties that wanted to ensure the prominence of non-market approaches.

2. Cooperative approaches (Article 6.1)

This article is broad, is meant to be broad, and is understood to cover all types of cooperation among Parties in implementation of their NDCs. This is clear from the references in the PA to both mitigation and adaptation.

Since the interpretation of "cooperative approaches" was intentionally broad, and all types of cooperation can be envisaged, the implication is that the formation of so-called "clubs", including carbon market clubs, is possible under this paragraph.

Paragraphs 6.2-6.3 (transfers), paragraphs 6.4-6.7 (creation of reductions/mitigation outcomes under the CMA), and a non-market framework (paragraphs 6.8-6.9) are particular cases of cooperative approaches, but the interpretation can be that this does not represent an exhaustive list.

In this context it must also be recalled that earlier versions of the text on "cooperation" mixed two concepts: i) that of cooperation between Parties and ii) that of Parties acting jointly in the context of regional economic integration (the "EU provision"). The "EU provision" has now been separated in Article 4.18 of the PA. However, the genesis of the discussion reinforces the understanding that the concept of "clubs" is in no way discouraged by the PA, but on the contrary, is very much part of its intellectual heritage.

It is important to note that this article does not provide "permission" to cooperate, but rather "recognition" of the fact that this cooperation takes place. This was important to many Parties, which felt that such permission was not necessary, as it is already present in Article 3 of the UNFCCC. In addition, the right to cooperate is not denied in previous UNFCCC documents, and providing "permission" to cooperate, in general terms, may then be made conditional, which was an undesirable outcome.

This paragraph also contains references to an increase in the level of ambition, sustainable development (SD) and environmental integrity. There are no definitions for these terms in the PA and they must be seen, given the hard negotiations around this article, as well as its broad scope, as terms that are present as reassurance to those that were uncomfortable with including this article in the PA.

However, this lack of definition, especially with respect to SD and environmental integrity may create problems in the future, if some forms of cooperation become unwanted and unloved (e.g. production and transfer of HFC CERs). In such a future scenario, this provision could become a "hook" and be used to disqualify certain types of cooperative approaches. This may be seen as pure speculation at this juncture, but such uncertainty should be eliminated through future CMA discussions and decisions.

The reference to "allow for higher ambition" is also important in the formulation of this paragraph. Some PA drafts on these issues (cooperation, transfers, markets, etc.) referred to the need to "enhance mitigation ambition".

The use of the word "enhance" was disputed by many Parties, which wanted to make sure that cooperative approaches could be used to achieve what is currently in their INDCs. They felt that the use of the word "enhance" could be interpreted as the need to increase the level

of ambition in their current NDC before they could make use of cooperative approaches. "Allow" has a "facilitative" connotation while "enhance" would seem to require an active act of increasing the level of ambition.

The voluntary nature of this cooperation is also mentioned, which can be seen as a re-assurance. It could re-assure those Parties that may not be interested to enter into cooperative approaches, that they cannot be forced into them. *In extremis*, it MAY be useful in cases when Parties may seek to cooperate with private entities or subnational jurisdictions outside the permission of that host Party. However, there are other provisions in Article 6 that are stronger in this respect.

Earlier versions of the text (10 November 2015, paragraph 3.16) had a similar provision in Option 1, which stated that "Parties may cooperate in their implantation of their INDC". In this case the "recognize" in the final PA text was replaced with a "may". Such provisions are also present in subsequent versions.

It must be noted that in the 10 November 2015 draft referred to above, permission to enter into cooperative approaches would have been given through the use of the word "may". This wording was used at that stage of the UNFCCC negotiations s as some Parties saw a minimalistic scenario as a possible outcome with respect to the markets text.

In such a scenario, no direct reference to markets or mechanisms was seen as possible in the PA. In that case, such a "general cooperation" provision, with the use of the word "may" was seen as a "safety hook" in case everything else failed, as it would have provided coverage for those who, post 2020, chose to cooperate, including through transfers and market approaches.

As it currently stands, paragraph 6.1 is a chapeau for specific cooperation in the PA under 6.2-6.3, 6.4-6.7, and 6.8-6.9, as well as other possible future forms of cooperation.

3. Transfers of mitigation outcomes (Paragraphs 6.2-6.3)

Articles 6.2 and 6.3 provide the foundation for the ability to undertake international transfers of mitigation outcomes between Parties, as a specific example/case of "cooperative approaches", and use them towards their NDCs. These must be seen as "process" paragraphs for the transfer of mitigation outcomes. These paragraphs do not contain text that details how mitigation outcomes are to be produced.

As in the case of paragraph 6.1, "cooperative approaches", these paragraphs do not provide permission, but "recognize" the ability of Parties to undertake these transfers. In the bottom-up world that is emerging, where different mitigation approaches and procedures/protocols are emerging rapidly, these two paragraphs are essential. However, the word "shall" is used in the paragraph 6.2, which may infer a higher level of determination than is implied by the word "may", used in paragraph 6.1.

The main features of these paragraphs must be seen in the fact that they refer to "internationally transferred mitigation outcomes" (ITMOs) and the use of these transfers to meet NDCs – without any qualifier to restrict the use of these provisions to units/outcomes emanating from mechanisms/procedures/protocols that are under the authority of the COP.

Therefore, it would seem that outcomes from any cooperative approaches, be they JCM, REDD+, EUAs, etc., would all be covered by these paragraphs.

It must also be emphasised that these paragraphs do not, by themselves, create a market or a price for carbon. What these paragraph do is provide the ability to create an international market if any Parties so desire.

The emphasis is on "international", as these paragraphs are restricted only to international transfers between Parties. They have no relevance to domestic mitigation actions, or their outcomes, until they are transferred internationally. The fact that the word "market" does not appear is neither here nor there, it does not appear in the Kyoto Protocol (KP) either. The absence of the work "market" is deliberate, not accidental.

Another provision that had been included in the PA drafts, as a conditionality for ITMOs, was that of "additionality". In the 10 November 2015 PA draft (paragraph 3.16, Option 2), the use of cooperative approaches (and ITMOs) was restricted to those mitigation outcomes that could prove additionality.

The implication could have been that only ITMOs resulting from baseline-and-credit approaches (for which the additionality concept is relevant) could make use of the provisions in paragraphs 6.2-6.3. There is no such reference to additionality in paragraphs 6.2-6.3 of the PA, which therefore allows for the international transfer of any type of mitigation outcomes.

It must be emphasised that while these paragraphs do not create an international price for carbon, they provide the means to create a process that may/will lead to the convergence of domestic carbon prices, over time.

The issue of a global carbon price was raised in the run up to Paris by some economists, whom, while well intentioned, created for a little while some confusion on the nature of the reference to markets and carbon prices in the PA. The PA itself currently contains no reference to carbon pricing.

The only such reference can be found in paragraph 137 of the COP decision. In that article reference is made to the "domestic policies and carbon pricing". Any attempt to introduce a carbon price in the PA would have likely lead to the collapse of the negotiations.

In a broad interpretation, these paragraphs can be seen as playing the same role as paragraphs 3.10-3.12 (accounting), and Article 17 (emissions trading) of the KP. They are of course broader, as they refer to the transfer of any mitigation outcomes, while the KP articles are restricted by their reference to AAUs, ERUs (KP, Art, 6) and CERs (KP, Art, 12).

3.1 ITMO

The origin and meaning of the term "internationally transferred mitigation outcome", for which an acronym ("ITMO") has already been created, in the good tradition of the UNFCCC negotiations, and needs to be clarified. It must also be recalled that the submission from Japan (4 September 2015) referred to the word "transferred", as previous wording referred to "transferable".

ITMO is a concept that emerged from informal discussions among negotiators as early as October 2014. In UNFCCC texts, reference to "mitigation outcomes" appears as early as the Geneva draft (February 2015) of the PA. It was introduced for a number of reasons:

- There was a significant resistance from some Parties, including ideological opposition, to the use of the word "markets" in UNFCCC text, as well as any language that could be directly related to markets. Consequently, in order to avoid making reference to "credits" and "allowances", the expression ITMO was introduced, which was perceived as more neutral.
- In some cases, such as the Joint Crediting Mechanism (JCM) that has been developed by Japan, units are not necessarily issued. Currently, units are not issued, but may be issued in the future by the JCM. A reference to "units", or direct reference to "credits" to "allowances" in the PA could have been "perceived" (not necessarily by Japan), rightfully or wrongfully, as creating uncertainty for the use of a JCM-type mechanism with the PA provisions.
- Some Parties imagined non-markets approaches, which may or may not result in transfers of reductions between Parties. As such, a direct reference to units (credits, allowances) and markets was problematic. Hence, the use of the term ITMO was introduced and became an undefined, but accepted term.

In the course of discussions, both formal and informal, the issue of what would be transferred between Parties took place in a number of instances.

In the KP, in the case of transfers between Parties, COP-approved units (AAUs, ERUs, and CERs) would be transferred and accounted for. Since AAUs were not envisaged under the Paris Agreement, the question was raised pre-COP 21 whether a new type of standard international unit needed to be created. The concept was put forward under different names such as International Mitigation Unit (IMU), International Compliance Unit (ICU), etc.

During the negotiations, ITMOs were not envisaged as a new international type of unit, say similar to an AAU. But "innovative thinking" by stakeholders, which would make an ITMO into a new type of international unit, has started to emerge post-Paris in informal discussions in workshops, seminars, etc.

This type of discussion may become the subject of interpretation as the Article 6 work programme is further defined and completed. While everything is open to discussion, it must be emphasised that there was no intent, during negotiations, when the language was developed, to make ITMOs into a unit.

However, such interpretation is not totally without merit or rationale, even if only speculative at this point, based on the current paragraphs 6.2-6.3. For illustration purposes only, any domestic unit could be assigned a serial number when it is first transferred internationally (and becomes an ITMO), which would then serve for purposes of tracking and avoiding double counting.

3.2 *Voluntary nature*

As a continuation of the discussion under Article 6.1, Articles 6.2 and 6.3 also emphasise that cooperative approaches, and the special case on ITMOs, are voluntary in nature, and subject to the authorisation by Parties involved.

3.3 *Role of the CMA*

Articles 6.2 and 6.3 make reference to Parties that engage, voluntarily, in ITMOs. It does not make any reference to any permission that needs to be obtained from the CMA for such transfers to take place. In this sense, it can be interpreted as an activity that takes place with the only approval needed being that of the Parties involved. It could be seen as a very pure bottom-up approach.

There are, however, additional provisions that, through the language in the text as well as the history of the discussions that took place pre- and during COP 21 in Paris, could allow for different, and more modulated interpretations as to the level of involvement of the CMA and the level of decentralisation of ITMOs.

Paragraphs 6.2-6.3 contain references to the fact that Parties, when engaged in ITMOs "shall":

- Promote sustainable development,
- Ensure environmental integrity,
- Ensure transparency, including in governance, and
- Apply robust accounting (….) consistent with guidance adopted by the CMA.

The provisions listed above, and their interpretation when the work programme is developed and defined in 2016, will be an important discussion. The history of the discussions and the origins of certain terms, may lead to different interpretations by Parties, which may vary significantly.

3.4 *Accounting*

Article 6.2 states that Parties shall "apply (….) robust accounting" consistent with accounting guidance developed by the CMA. Based on discussions in negotiations, this is meant to ensure that the CMA develops guidance, which is used by Parties when undertaking ITMOs. The role of the CMA seems to be limited to developing guidance. Parties will only be required to be consistent with that guidance.

The PA does not contain a definition of the term "accounting", and pre-Paris discussions have highlighted very different interpretations that Parties may have with respect to the meaning of this word.

There will be some Parties that will take a narrow (strict, factual) interpretation of what "accounting" includes, while others may take a broader view, which may include questions such as:

- "How you count" (double-entry book keeping)
- "What and how much you count" –What is the environmental/compliance value of a domestic unit used internationally by another Party towards its NDC?

The PA is also silent on a number of other related issues:

- Is there a need to make a determination if the CMA accounting guidance is being observed?
- Who would make such a determination?
- What happens if the CMA accounting guidance is not observed?

This statement could be questioned if one were to examine references that are included in Articles 13 (transparency) and 15 (compliance), as some Parties see a strong connection with these two articles.

Nevertheless, this begs the question whether the CMA, or a designated body, is foreseen as playing an active role (regulatory?) in the three points listed above (not in PA compliance, but in the transfer of mitigation outcomes). One option, of course, is to use the same approach of "name and shame" that will be used in NDCs for observing compliance with CMA accounting guidance.

There is no obvious mandate for more than "name and shame" in the PA. It must be also recognised that there was significant resistance during the negotiations, one might even call it a red line for some Parties (if there is such a thing in negotiations), to any language that could be interpreted as accepting accounting standards developed by the CMA (or one of its bodies) that would need to be applied in a way that would allow the CMA to play a regulatory role.

Language used in previous versions (Article 3.20 of 9 December2015) refers to "in accordance with guidance adopted by the CMA", which is stronger language and could imply the need to comply with that guidance; the current language "consistent with" is much less directive and with less compliance implications.

The 10 December 2015 PA draft used the "consistent with" language. Similarly, the submission from Brazil and the EU (8 December) also uses the "consistent with" language.

Avoiding double-counting is one provision that has been present in every version of the text and is one that every Party seems to agree with. It has received so much air time that, as we will see below, it was actually described in the PA under paragraph 6.5.

There will be no issue around the legitimacy and acceptance of the provision to avoid double-counting. However, what may become the subject of future discussions is how to operationalise the language in paragraph 6.2, which refers to the use of ITMOs "towards NDCs", and the avoidance of double-counting.

How can that be operationalised? In a practical way there is no international unit with a unique serial number, as was the case for AAUs, ERUs and CERs in the KP. Nevertheless, there will be mandatory inventories and national communications for all but small island developing states (SIDS) and LDCs, where any transfers could be reflected.

The question that can then be posed is what will happen to mitigation outcomes that are transferred (ITMOs) when they are used towards an NDC? How do you ensure that the same "mitigation outcomes" are not transferred internationally twice, and/or are not used "towards NDC" twice, by different Parties? This implies particular attention to the work done under the transparency section.

A number of questions will need to be addressed in future negotiations, questions that have been debated in informal settings, but have not been made the object of discussions in UNFCCC negotiations. They were simply seen as "too detailed" to be solved in the heat, and within the time constraints, of the negotiations of one of the major international agreements.

Some of the questions that will need to be addressed may include:

- Will there be an obligation for ITMOs to be retired from a national registry (does there need to be a national registry) by the Party that uses them "towards the NDC"? This raises the question of how ITMOs are registered.
- How is that accomplished if the ITMO is not in the form of a unit?
- What is the procedure and entity that would re-assure the CMA that this has taken place in the national registry?

Finally, during 2015, a number of submissions referred to different treatment of transfers that originate in Parties that have NDC as economy-wide absolute caps (or at least from those parts of the economy that are under an absolute cap). In that case the argument was made that the "budget" of the originating Party would "guarantee" the environmental integrity of the transfer. As such, the transfer could be accounted at a value that is determined by the originating Party.

The situation was seen in a very different light if the country from which the transfer originates does not have an economy-wide cap. In that case, a more intrusive approach by the CMA was seen as a not unreasonable thing to consider.

In light of the above discussion, the question emerges of whether different accounting treatments will be required, depending on the type of NDC. This could lead to a new form of differentiation in accounting, which, while perhaps not directly envisaged, cannot be left unexplored. This could almost look like a JI Track 1 and Track 2 situation.

Another important issue is how the accounting guidance from the CMA will accommodate (provide for) cooperation that takes place at the sub-national level. Both paragraph 6.1, as well as paragraphs 6.2-6.3, are silent on this issue. It is nevertheless an issue of great relevance to many on-going initiatives related to ITMOs between sub-national-level jurisdictions, such as California and Quebec. The PA encourages such cooperation in the preamble:

> Agreeing to uphold and promote regional and international cooperation in order to mobilize stronger and more ambitious climate action by all Parties and non-Party stakeholders, including civil society, the private sector, financial institutions, cities and other subnational authorities, local communities and indigenous peoples",

Such provisions could be addressed in the CMA guidance on accounting, with which a Party will need to be consistent in their cooperation with other Parties. There is nothing in Article 6 that would prevent a Party to "authorize", as stated in paragraph 6.3, subnational jurisdictions to undertake transfers, as long as they are coordinated/synchronised with the respective Party in accounting towards its NDC.

3.5 Sustainable development and environmental integrity

The text in paragraph 6.2 also refers to the fact that Parties engaged in ITMOs "shall (…) promote sustainable environment and ensure environmental integrity". In this context we remind ourselves that the "ITMO paragraphs", 6.2 and 6.3, are "transfer paragraphs". They are not "mitigation outcomes production" paragraphs, that is, they provide M&P to reduce emissions and produce mitigation outcomes.

Therefore, the interpretation of these provisions and what use can be made of them is not obvious, and could be the object of speculation. What SD and environmental integrity concerns can we apply to ITMOs that are already produced domestically?

As a case in point, under the KP, the potential transfer of any domestic units between Parties (except CERs subject to Letter of Approval (LOA), but they are really not domestic units) was not envisaged as being subject to any SD obligations. However, it was envisaged that any transfer of domestic units between KP Parties was backed, for KP accounting purposes and CMP compliance value, by a CMP unit (AAU).

Under the PA, there are no CMA compliance units, that is, no AAU-like units. *What is therefore the interpretation of the SD and environmental integrity provisions in paragraph 6.2?*

One interpretation, which will clearly be resisted by many and possibly seen as an attempt to renegotiate the PA, would be to see these provisions as a "SD and environmental integrity" requirement for the mitigation outcomes/units (ITMOs) transferred internationally between Parties. This requirement could be developed and tested in some way by the CMA, or a body designated by the CMA. This may strike some as an overreach, but, in the absence of a satisfactory answer of how to apply these provisions in paragraph 6.2 to transfers/ITMOs, it could also become a potential item for discussion. Could the CDM LOA provide an interesting precedent?

Some PA drafts (5 December 2015) included bracketed language such as "[safeguard][promote]". Earlier versions (10 November 2015, Article 3.16, Option 2) have even stronger language referring to ITMOs that need to "meet standards and guidelines to be decided by the CMA (…) that are aimed at ensuring environmental integrity"

The implications of such an interpretation can be far-reaching, leading to the concept of testing any domestic units transferred internationally which are then used towards NDCs.

Such somewhat liberal interpretation of provisions in paragraph 6.2 would resonate back to discussions in the Subsidiary Body for Scientific and Technological Advice (SBSTA) of the UNFCCC under the Framework for Various Approaches (FVA), where such ideas were brought up.

One argument that this interpretation is flawed is that 1/CP.21 contains a work programme to develop "guidance referred to under Article 6, paragraph 2" (accounting), while no such element of the work programme had been put in place to develop guidance for SD and environmental integrity.

Should such a liberal interpretation be found to be flawed, which is likely to be the conclusion of future negotiations, another option would be that this is "boilerplate" language in UNFCCC

treaty text. But any debate around the language referred to here should serve as a warning against any future liberal use of such language, if there is no intent to operationalise it.

A final option is that this language will languish and stay unobserved, with the definition of sustainable development being the prerogative of each Party. However, such provision may again raise its head at a future time when certain types of units being transferred internationally (based on country of origin, type of technology, etc.), and used to meet NDCs, will meet with international criticism and be disqualified (by the CMA, or a designated body) on the basis that they do not meet "sustainable development and environmental integrity" referred to in Article 6.2.

That would, as has already happened, shake confidence in international carbon markets and the country that provides the mitigation outcome due to its perceived arbitrary nature.

3.6 Governance

Another element in paragraph 6.2 that needs to be discussed is the reference to "promote sustainable development and ensure environmental integrity and transparency, including in **governance**". This is the first use of the word "governance" that we can find in any draft, and it leads to questions such as i) what does it really mean, ii) why was it introduced, and iii) whose requirements did it meet for it to be introduced.

Some Parties, and groups of Parties, asked during negotiations for strong governance to ensure the "quality" of domestic units used for international compliance by Parties other than the issuing Party (ITMOs). This position was presented both during the different negotiating sessions at COP21, in submissions, as well as in discussions which preceded the markets-related discussions in the ADP.

The same discussion was also present in SBSTA during the FVA discussions. The way this was raised by Parties was: "we would like to make sure that there is a UNFCCC body that will ensure that we avoid double counting and that that the units transferred observe some standards that we can live with."

The submission by the Alliance of Small Island States (AOSIS) in December 2015, as well as other interventions and submissions, have very strong elements in this direction, and which imply the need for strong and transparent governance. Short of a better explanation, one could conclude that the insertion of the word "governance" as a last-minute provision in the final version of the PA provided some re-assurance and relief to meet the concerns of those that demanded a stronger governance.

The word "governance" could become a "hook" for those who will want to argue in the discussions during the work programme under SBSTA (e.g. accounting guidance) for some form of CMA role in the governance of ITMOs. Whether that would translate into becoming strong transparency or some form of a central regulatory role is a matter of speculation at this stage.

4. Mechanism to mitigate GHG and support SD (Paragraphs 6.4-6.7)

These paragraphs establish a mechanism "to contribute to the mitigation of greenhouse gases and support sustainable development". It has already been informally baptised by some and referred to as SDM (Sustainable Development Mechanism, as opposed to the CDM in the KP). Another acronym, and a more accurate one, would be MM (mitigation mechanism). While what we use may seem inconsequential, it may colour the perspective we have in developing its modalities and procedures (M&P) as part of the SBSTA work programme. For the purpose of this paper we will use SDM.

The provisions in these paragraphs can be seen as emerging from a Brazilian submission (10 November 2014), in the section entitled "Economic Instruments". That submission states:

> The Economic Mechanism shall be comprised of general guidelines related to an emission trading system and an enhanced Clean Development Mechanism (CDM+).

What has now become known as the "Brazilian proposal" clearly had in mind a close resemblance to the current CDM. The submission goes further and states:

> The new market mechanism (…), should be established under the agreement, incorporating the modalities, procedures and methodologies of the Clean Development Mechanism, to allow trading of CER among all Parties.

There are a number of key provisions in paragraphs 6.4-6.7 that deserve more in-depth discussions, as they themselves are the result of substantive discussions. The provisions that will be discussed in this paper are:

1. Nature and governance of the SDM
2. Scope of the SDM
3. Overall mitigation
4. Share of proceeds
5. Participation of private entities

4.1 Nature and governance of the SDM

The SDM is a mechanism that has as an output GHG emissions reductions, which can be used by any Party to the PA towards its NDC. It also has as a mission to support sustainable development.

The SDM is clearly under the authority and guidance of the CMA, and shall be supervised by a body designated by the CMA. This is very similar to the CDM set up under the KP.

Another characteristic that seems to emerge is that the SDM is not envisaged as a cap-and-trade mechanism, but has the characteristics of a baseline-and-credit mechanism. The reference to additionality in the work programme under the COP decision seems to confirm this characterisation.

The SDM set-up is in clear contrast to cooperative approaches (P.A. Articles 6.2-6-3), which can be seen as a procedure/protocol for transferring mitigation outcomes internationally and where Parties are the principal actors and follow accounting protocols that are consistent with CMA guidance.

Cooperative approaches, as outlined in paragraphs 6.2-6.3, are seen as covering the transfer of domestic mitigation outcomes internationally. However, the initial issuance of mitigation outcomes of the SDM (another case of cooperative approaches) should be done under paragraphs 6.4-6.7. It would seem logical that any further international transfers of SDM outputs should then be done under paragraphs 6.2-6.3 of the PA.

Arguments against this logic can be brought through the text in Article 6.5, which describes in detail what is really the avoidance of double-counting in the use of the output of the SDM. One could argue that since SDM has its own procedures to avoid double-counting, then the whole governance of the SDM is separate from what is covered in Articles 6.2-6.3. At the same time not having a unitary system with which to transfer mitigation outcomes sounds counterintuitive, and provisions to avoid double-counting should be the same under Articles 6.2-6.3 and 6.4-6.7.

The body supervising the SDM has yet to be designated. The Brazilian submission (2014) seems to envisage that the CDM Executive Board (EB) will be very much the model used. As we will see in the discussions below, the PA is different in a number of key aspects from the Brazilian Economic Instruments in the November 2104 submission, and the Brazil-EU submission (8 December 2015). The body that supervises the SDM could therefore differ from the CDM EB.

In parallel, we can compare this situation to the governance of the CDM and JI under the KP. In that case, the CDM EB issues CERs in the appropriate accounts, but the CDM EB has no jurisdiction or involvement on how KP accounting is done, and how double-counting at the point of CER usage to meet KP commitment is accomplished.

The situation is somewhat similar in the case of JI. However, in that case, there has to be coordination with the cancellation of AAUs whenever an ERU is issued, where both the National Focal Point and the JISC may have a role to play, depending on the track used. The further transfer of ERUs between Parties is in no way supervised by the JISC or the National Focal Point.

The objective of supporting SD is not very dissimilar from that in the CDM, and, while a laudable objective, its implementation has led to a number of problems in the CDM.

It is widely accepted that the definition of SD is a national prerogative. In general, the attempt to operationalise this provision in the context of a CDM/SDM, can lead to different outcomes, two of which are discussed below.

A first outcome is that different interpretations can lead to different views on the product of the SDM. This has happened in the past when certain CERs were disqualified from compliance use in some jurisdictions (e.g. HFC, N2O in EU ETS).

This is a possible outcome, and should have even been expected, but the lack of acceptance of some CERs in some jurisdictions has led to a reputational damage to the CDM, and more broadly, to carbon market as an instrument for compliance with international obligations/commitments. Different interpretations of SD lead to a sense of arbitrariness and subjectivity in decision-making. However national preference as to what a Party wishes to use

cannot be really avoided, and this is unlikely to become an issue for negotiations under the PA.

A second possible outcome of using SD as criteria is the tendency to try and come up with an international definition of SD, or at least guidelines. This solution, while also laudable in principle, can have crippling effects on the concept of SD, and confirm reticence of some who feel that SD may be a way to impose standards, and influence development pathways of developing countries. In the case of the PA, all Parties can host SDM activities, and this may dispel some of these concerns.

A final issue that needs to be considered under this item is the "legal" status of the SDM. The SDM has been established, and in this sense the wording used in paragraph 6.4 leaves little to interpretation. This is important, as the language used in the case of Article 12 of the KP ("A clean development mechanism is hereby defined"), could have been interpreted as being ambiguous.

PA drafts, including the 10 November 2015 version, with which the Paris meeting was started, contains (Article 3ter, Option II) language that would have postponed the establishment of the SDM, and merely "recommends that the CMA at its first session consider the establishment…".

4.2 Scope of the SDM

Three issues were central to the debate on the scope of the SDM:

a. Which Parties can host the SDM?
b. Which Parties can use the product of the SDM?
c. Is the SDM one or more than one mechanism? Is it narrowly defined or does it provide space for many approaches that may emerge in the future?

a) **Which Parties can host the SDM**? There is no reference made in paragraphs 6.4-6.76 of the PA to any differentiation, or limitation that would not allow the SDM to operate in certain Parties.

Article 6.4(c) of the PA only refers to "host countries". No qualifiers are provided. The issue of what Parties can host SDM activities was a hotly debated issue. It can also be seen as a reflection of the debates that are taking place under the KP to reform/merge CDM and JI, as well as the new realities of the PA.

One of the fundamental differences between the PA and the KP is that under the PA every Party has to have an INDC. They will be different, as the principle of Common But Differentiated Responsibilities (CBDR) still applies. Differentiation has been one of the key issues debated and negotiated before an agreement was reached.

Nevertheless, all Parties to the PA undertake, through their INDCs, to contribute to mitigation efforts (among other things). Voluntary cooperative approaches and ITMOs are tools that are available to all Parties to use towards the NDCs. It would therefore follow that all Parties that have NDCs should/will also have access to the SDM.

The CDM, as we know it, only operates in non-Annex 1 countries, which is a clear differentiation. Its products, CERs, can only be used by Annex 1 countries (which have absolute economy wide caps).

In this context, the November 2014 submission of Brazil speaks of an "an enhanced Clean Development Mechanism (CDM+) (which according to Article 12 of the KP can be operationalised only in non-Annex 1 countries). There is also a reference in the November 10 draft of the PA (Article 3ter, Option II, 2c) to "build on the mechanism defined in Article 12 of the KP".

However this reference to Article 12 of the KP was not in any way specific to differentiation, and could be interpreted as a general demand to build on what was learnt from the CDM experience. Also, the 5 December 2015 PA draft makes no reference to any differentiation in the use of the SDM. No such reference can be found in earlier versions of the text either.

The 8 December 2015 Brazil-EU submission introduces differentiation in a direct way:

> a mechanism to contribute to the mitigation of greenhouse gas emissions and to support sustainable development [in developing countries].

That theme is then carried into the 9 December2015 PA draft, where reference is again made to "developing countries" (Article 3ter, Proposed Mechanism 1). The same reference is then present in the 10 December draft.

This view of the SDM was contested by many developed countries, as well some developing countries, which wanted to ensure that the SDM was a resilient mechanism, which would be fit for the long-term. That argument prevailed in the final version of the PA, where Article 6 makes no reference to any type of differentiation.

This debate will need to consider if SDM can combine characteristics of CDM and JI, and avoid the problems that have been observed in the operation of these two mechanisms. The debate on how to combine these two mechanisms has already started under the SBs, and the SBSTA work programme for the M&P of the SDM will have to build on those discussions. In developing these M&P, consideration should be given, to the extent possible, to the nature of the NDCs that different SDM host countries may have put forward.

b) **Which Parties can use the product of the SDM**? A debate similar to the one outlined above took place on the issue of "who can use the mitigations outputs of the SDM". Language used in the Brazil-EU submission (8 December 2015) limited use of the output of the SDM to countries that had NDCs with absolute caps:

> Assist Parties with a ### that reflects an absolute target in relation to a base year to fulfil their ###, through the use of emission reductions from mitigation activities [in developing countries].

While this language had not been present before December 8, it then became reflected in the 9 and 10 December 2015 versions of the draft PA (article 3ter, Mechanism 1, paragraph 1c):

> Enhance mitigation ambition by [developing country] Parties [, by incentivising supplementary voluntary climate action, beyond their ###]

As was the case with the debate on "which Parties can host SDM activities", there was a strong, or even stronger, pushback from a broad combination of Parties, both developed and developing.

These Parties felt that all Parties, regardless of the type of NDC they had put forward, should have the option of having access to the output of the SDM. They felt that while they may not need, or want, to use the SDM output at this time, in an increasingly constrained post-2020 climate change regime, they would want to keep all options open.

The final text of Article 6 contains no differentiation, and reference is only made that "another Party" can use the output of the SDM.

c) **Is SDM one or more than one mechanism?** Paragraph 6.4 of the PA refers to the fact that "a mechanism to contribute (…) is hereby established (…)". The reference to "a mechanism", and the interpretation that can be given to this formulation, was also a divisive issue during negotiations.

Some Parties felt that they wanted the option to be able to establish a number of approaches to mitigate GHGs under the authority of the CMA, and wanted that option specifically and explicitly included in the text. They felt that it was impossible to predict what the future would bring, and what type of new "mechanisms and approaches" would be discovered in the future. Therefore flexibility was needed.

This is an issue that will need further clarification, and will likely be material for the decisions that will need to be made during the development of SDM M&P under the SBSTA work programme.

In this context it must be recalled that the 10 November draft PA refers, in Article 3ter Option 1, to "Article 3ter enabling the creation of multiple mechanisms". The accompanying draft decision (paragraph 46, Option I) also makes reference to "[a multi window mechanism]". Similarly, the 5 December draft PA (Article 3ter, Mechanism 1) also makes reference to "[establishes a multi window mechanism]".

There is, however, no such reference (to multiple mechanisms or windows) in the Brazil-EU submission. However, the Panama submission of 9 December contains such language and states "accommodate multiple applications for participation".

Subsequent drafts of the PA (versions of 9 and 10 December) do not contain any reference that would clearly and unequivocally state that the possibility of having more than one approach, mechanism or window, is enshrined in the PA.

It is clear that there was a strong desire on the part of some Parties to have such specific reference. However, others simply wanted to create one mechanism based on the CDM, a CDM+, albeit with some likely improvements from the current CDM.

So what does this mean and how is this to be interpreted?

Since there is no definitive interpretation in the text, future discussions and negotiations ought to consider intent, institutional memory, as well as weigh in with the evidence provided by other provisions in paragraphs 6.4-6.7 of the PA.

The argument had been made that the text refers to "a mechanism". Therefore, if that mechanism had been detailed to a high level of granularity in the PA, or in 1/CP.21 (and essentially describe a CDM-like mechanism, or would have made a strong connection to KP Article 12, which was referred to in one of the PA drafts), then those that only wished to have a successor to the CDM would argue that we have the "one" mechanism allowed by the PA, and that the creation of any additional mechanisms would require amendments to the PA. Amending the PA would be a long and convoluted process that no one would really want to consider.

As such, this would preclude the creation of other mechanisms. For example, activities related to REDD+, as proposed in the mechanism that existed in many PA drafts under Article 3bis, or that would fit under Article 5 of the PA, may find it more difficult to find a place if the CMA approves a reborn CDM (CDM+) and accepts the argument that this is the "a mechanism" referred in paragraph 6.4.

Non-CDM type mechanisms could, of course, be created domestically, and their ITMOs transferred, and used towards NDCs, under paragraphs 6.2-6.3. However, the mitigation outcomes would not be created under the CMA, which some Parties may desire for reputational reasons. CMA issued mitigation outcomes may also command higher prices in post-2020 markets.

During negotiations different languages were proposed to bridge this divide. One such approach was the reference to "framework for SDM", while another referred to "applications". The later was used to compare the SDM to an operating system, with different approaches treated the same way as applications, which are developed for smart phones or tablets. Both these proposals could not get consensus.

A case can be made that an interpretation that multiple approaches are possible can be identified in Article 6. To start with, there is no specific language in Article 6 of the PA that would definitely preclude such interpretation.

The argument was also made that "a mechanism" cannot be interpreted as a unique approach, as the experience of the KP shows that many different types of projects and activities were accepted in the CDM over time. This was done while developing M&P. However, we also need to recall the bitter disputes that preceded the acceptance of new approaches, such as CCS in CDM, and try to avoid a repetition of that approach.

In addition, the provisions in paragraphs 6.4-6.7 of the PA vary greatly from the original Brazilian CDM+ proposal (Brazil 2014 submission), which was seen as an extension of the CDM. The same is true for the 9 December 2015 PA draft, which was clearly influenced by the Brazil-EU submission of 8 December 2015. The case was made above that the provisions regarding the hosting of SDM activities, as well as those regarding the use of the SDM output, are vastly different in the SDM from those in the CDM.

Paragraphs 6.4-6.7 refer to mitigation activities, and the "reduction of emission levels in the host Party". This provides for a broad interpretation of the type of activities covered, as both reductions and removals lead to a "reduction of emission levels". It is therefore credible to

interpret that many types of mitigation approaches can be defined under the paragraphs of this article.

4.3 Overall mitigation

Paragraph 6.4(d) refers to the fact that the SDM should "deliver an overall mitigation in global emissions". The SB work programme will have to interpret this and provide a definition. As it currently stands, it is very difficult to understand how to operationalise this paragraph.

This paragraph has it genesis in earlier drafts of the PA. The 5 December 2015 draft (Article 3ter, mechanism 1, 1(d)), has language that refers to "provide for net global emission reductions through the cancellation of a share of units generated, transferred or acquired"). Other drafts have the same type of language that refers to net mitigation or net reductions, but the reference to overall mitigation in global emissions is language that had not been proposed, or used, before. It is a bit more "fuzzy" but nevertheless expresses the same intent.

The emergence of this language in the PA must signal a late compromise, to be able to move things forward, with language that would allow for different interpretation and postpone the final interpretation post-Paris, in the development of the M&P for the SDM.

The concept of "net mitigation" or "overall mitigation in global emissions" or any other language that may be used, has created concerns as it is not understood but may have very large implications in terms of contributions, meeting what is in NDCs, accounting, design of the M&P of the SDM, etc. This may sound like a long list, but all of these could, in some way, be traced to the implementation of overall global mitigation.

The issue of net mitigation is rooted in the dissatisfaction with offsetting, which is how CERs from the CDM were used. That is, every tonne (CER) reduced in a country without a cap, was used to allow for an additional tonne emitted in a country with an absolute cap. The concern was that, at best, there was zero benefit for the global atmosphere, and more likely an increase in emissions – as the additionality, and therefore environmental credibility of many CERs was suspect. It must be emphasised that the use of CERs as offsets was a free choice of Parties that used CERs for compliance with KP obligations, but not an obligation.

While some of the assumptions in the above statement could be disputed, one could argue that this was a valid point for discussion. However, the PA is very different from the KP as all Parties have NDCs. It is true that few NDCs represent and economy-wide cap. However, if the intent is to have overall/net mitigation from SDM, then someone, somewhere, has to make a voluntary contribution to the global environment.

Some drafts of the PA had included the concept of voluntary contributions, but the PA does not contain that language. Also the language that is present in the 5 December 2015 draft, and referred above, has also disappeared.

This leaves the SBSTA work programme with a challenge to come up with a credible outcome that can be accepted by all. Many believe that extra conservativeness in the baseline definition may be problematic as SDM activity types are different and current imperfections in setting baselines will only be compounded through the uncertainties of setting more conservative baselines.

Another consideration that will need to be taken into account is which Party/entity will be the one that makes the free voluntary contribution to the global environment: the SDM host Part, the Party that uses the SDM mitigation towards its NDC, the first purchaser, etc.? Making a voluntary contribution may be resisted by developing countries, which may feel that they are already making enough sacrifices through their NDCs.

One option is to examine the work undertaken under the revision of the JI guidelines on the concept of mitigation and host country contribution.

4.4 Share of proceeds

This is by no means a new concept, as it is currently part of the CDM. Paragraph 6.6 includes this provision and states the CMA "shall ensure that a share of proceeds from activities under the mechanism (…) is used to cover administrative expenses and assist developing countries (…)".

A similar provision was included in paragraphs 6.2-6.3 in some drafts of the PA, with the implication that there would be a share of proceeds (SOP) for every international transfer. This was dropped in the PA.

The attempt to introduce of a SOP in paragraphs 6.2 and 6.3 was very much in line with complaints from developing country Parties which felt that only transactions involving developing countries (CDM) were taxed, while JI, and ETS under Article 17 of the KP, did not have a similar obligation.

While the point that there is no SOP under paragraphs 6.2-6.3 continues to be true, the SOP as it will apply to SDM is different in that the SDM under the PA is hosted by both developed and developing countries.

4.5 Participation of private entities

Provisions to "incentivize and facilitate" the participation of private entities is included in paragraph 6.4(b) of the PA. It is very similar to those that already exist in CDM, and aim to ensure that private entities can participate in the development of SDM activities, but only when authorised by a Party.

5. Framework for non-market approaches (Paragraphs 6.8-6.9)

The idea of non-market approaches is included in the PA through paragraphs 6.8-6.9. It has been part of the discussions under UNFCCC for a long-time, starting with Long term Cooperative Action (LCA) until Doha, and then continued under SBSTA. It was covered under the item entitled Non-Market Approaches, and it was very much discussed in conjunction with the Framework for Various Approaches and the New Market Mechanism.

Specifically, paragraph 6.9 establishes a framework for non-market approaches, while paragraph 6.8 provides three objectives. The work programme in decision 1/CP.21 paragraphs 40-41 is much less detailed than what is proposed for the market paragraphs (1/CP.21 paragraphs 37-39). This is likely due to the fact that the thinking in this area is less mature, and the only direction provided is that the work programme is to

- Create synergy between various strands in the agreement (mitigation, adaptation, technology transfer, etc.) and
- Facilitate and coordinate non-market approaches.

The proponents of non-markets approaches will need to ensure that they provide additional direction on their vision as well as concrete areas of discussion that are to form the work programme that can be examined as part of negotiating process.

Conclusions

Article 6 of the PA has provided much more than was expected, but not enough to ensure that a new tradable commodity emerges or that a PA 2.0 carbon market can start.

A lot of work has yet to be done, both technically, as well as to ensure that all Parties have a similar interpretation of what was agreed and that time is not spent in renegotiating the PA.

The set-up that will be built from Article 6 of the PA can in some ways be simpler than the KP provisions, but it can also pose challenges that may make the operation of such a market much more complex.

The lack of detail in paragraphs 6.8-6.9 on the non-market framework will also likely prove challenging and will require special attention to ensure that all parts of Article 6 can move forward, focusing on the technical details that now need to be developed and not continue to be slowed down by political considerations and balance.

Annex

Article 6 of the Paris Agreement

1. Parties recognize that some Parties choose to pursue voluntary cooperation in the implementation of their nationally determined contributions to allow for higher ambition in their mitigation and adaptation actions and to promote sustainable development and environmental integrity.

2. Parties shall, where engaging on a voluntary basis in cooperative approaches that involve the use of internationally transferred mitigation outcomes towards nationally determined contributions, promote sustainable development and ensure environmental integrity and transparency, including in governance, and shall apply robust accounting to ensure, inter alia, the avoidance of double counting, consistent with guidance adopted by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement.

3. The use of internationally transferred mitigation outcomes to achieve nationally determined contributions under this Agreement shall be voluntary and authorized by participating Parties.

4. A mechanism to contribute to the mitigation of greenhouse gas emissions and support sustainable development is hereby established under the authority and guidance of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement for use by Parties on a voluntary basis. It shall be supervised by a body designated by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement, and shall aim:

(a) To promote the mitigation of greenhouse gas emissions while fostering sustainable development;

(b) To incentivize and facilitate participation in the mitigation of greenhouse gas emissions by public and private entities authorized by a Party;

(c) To contribute to the reduction of emission levels in the host Party, which will benefit from mitigation activities resulting in emission reductions that can also be used by another Party to fulfil its nationally determined contribution; and

(d) To deliver an overall mitigation in global emissions.

5. Emission reductions resulting from the mechanism referred to in paragraph 4 of this Article shall not be used to demonstrate achievement of the host Party's nationally determined contribution if used by another Party to demonstrate achievement of its nationally determined contribution.

6. The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement shall ensure that a share of the proceeds from activities under the mechanism referred to in paragraph 4 of this Article is used to cover administrative expenses as well as to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.

7. The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement shall adopt rules, modalities and procedures for the mechanism referred to in paragraph 4 of this Article at its first session.

8. Parties recognize the importance of integrated, holistic and balanced non-market approaches being available to Parties to assist in the implementation of their nationally determined contributions, in the context of sustainable development and poverty eradication, in a coordinated and effective manner, including through, inter alia, mitigation, adaptation, finance, technology transfer and capacity-building, as appropriate. These approaches shall aim to:

(a) Promote mitigation and adaptation ambition;

(b) Enhance public and private participation in the implementation of nationally determined contributions; and

(c) Enable opportunities for coordination across instruments and relevant institutional arrangements.

9. A framework for non-market approaches to sustainable development is hereby defined to promote the non-market approaches referred to in paragraph 8 of this Article.

Source: Excerpted from Paris Agreement under the United Nations Framework Convention on Climate Change, 12 December 2015 (unfccc.int/resource/docs/2015/cop21/eng/l09.pdf).

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