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"Non-market mechanisms are not about marketing emissions, but that does not mean they have to avoid private investments"

REPORT OF THE ECBI WEBINAR ON ARTICLE 6.8

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A webinar on non-market mechanisms (NMAs) under Article 6.8 of the Paris Agreement was organised by ecbi on 17 February 2021, and attended by 69 participants. The webinar was based on a pre-publication draft of an ecbi paper on Article 6.8, circulated among participants earlier.

Chair Kishan Kumarsingh, lead UNFCCC Negotiator for Trinidad and Tobago, and Co-Chair of the ecbi Advisory Committee, said Article 6 remains a critical but incomplete component for the full operationalisation of the Paris Agreement. While the negotiations have been focused on Article 6.2 and 6.4, Article 6.8 had been somewhat neglected. He thanked ecbi for the efforts to bring more clarity to the issue of NMAs.

Axel Michaelowa, Perspectives, one of the authors of the ecbi paper, noted that Article 6.8 was added as a placeholder to the Paris Agreement at the behest of countries who were not keen on the focus on carbon markets in the rest of Article 6. The practicalities of how NMAs will function are still being worked out. The Paris outcome agrees that NMAs can focus on mitigation, adaptation, sustainable development, finance, capacity building, technology development and other things – this generic, broad approach has generated some uneasiness

among Parties to the Agreement, and led to a fear of duplication. Beyond that, he said Article 8.6 NMAs are defined more in the context of *what they are not*, rather than what they are. For instance, the draft negotiation text from Madrid defines NMAs as interventions and measures that do not lead to a transfer of mitigation outcomes, and do not duplicate ongoing work.

While there are several proposals for what should qualify as NMAs, including for instance for an adaptation benefit mechanism, Michaelowa said the ecbi paper describes one NMA approach involving technology and capacity building: international bulk purchasing of mitigation technologies. This approach has been tried in the past, he said, for instance by Japan's [Top Runner](#) programme.

Benito Müller, ecbi Executive Director, said the international bulk purchasing approach was employed in the [UJALA](#) Programme in India, to make energy efficient LED bulbs more affordable. Noting that the approach will be described in more detail by Saurabh Kumar, Executive Vice Chairman of the publicly owned Indian energy services company Energy Efficiency Services Ltd. (EESL), he said that 367 million LEDs were distributed under the programme, with 47.7 megawatt hours of energy saving

and 38.6 megatonnes of carbon dioxide reduction per year. Müller highlighted an ecbi initiative, *Cool4Climate*, showcasing initiatives like UJALA that use social marketing to promote sustainable behaviour, and to shift values and aspirations. He said a process of “reverse auctioning” enables UJALA to reduce the price of LED bulbs from over INR 300 to about INR 30 or 40, making them more affordable. LED bulbs initially displaced fluorescent bulbs, and overtook incandescent bulb sales in India in 2018. A genuinely transformational process took place, he concluded.

Michaelowa said the example of UJALA can be extended to, for example, industrial motors, air conditioners, and any type of technology that is diffused in large numbers. International bulk purchasing NMAs could drive down the cost of climate technologies and accelerate their diffusion, thereby transforming an economic sub-sector, and covering a range of relevant technologies (e.g. air conditioners, refrigerators, cars, and industrial motors). An initial focus on cooling technologies could lead to a downward revision of the baselines for the phase-down of hydrofluorocarbons (HFC) under the Kigali Amendment, for instance. He listed the potential benefits of Article 6.8 institutional architecture for such an approach, saying it provides an entry point for LDCs; allows for information and knowledge sharing; and enables access to existing financial support.

Three pre-recorded interventions followed.

Saurabh Kumar, EESL, thanked ecbi for highlighting UJALA as an example of an NMA. He said the programme was inaugurated six years ago, in 2014, and since then EESL has distributed just under 370 million LED bulbs in the country. UJALA also created a wider demand for LED bulbs through social marketing – during the same period, the private sector sold nearly 1.6 billion LED light bulbs. The price of LED bulbs was brought down by as much as one eighth of the price in 2014, even as the quality of the LED bulbs actually increased, through bulk purchasing and demand aggregation. In 2014, a LED bulb cost US\$ 8, compared to about US\$ 1.5 for a compact fluorescent lamp (CFL), and 10-15 cents for an incandescent lamp. UJALA used a “pay as you save” model, where LED bulbs were offered to consumers in Puducherry in south India

for the price of an incandescent bulb, and 15 cents was added to the energy bill until the procurement cost of about US\$5 was recovered. Within four months, 600,000 LED bulbs were sold. Another state then wanted six million LED bulbs, and the procurement cost fell to about US\$ 3.5-4. Not only did the bulbs reduce the energy bill per household, Kumar said, but the energy utilities were able to handle peak demand better. Politicians started having ceremonies to hand out LED bulbs, and the demand increased quickly to 16 million. The prices fell further, leading to a market transformation. The government then let private players do the rest, as the demand for LED bulbs grew exponentially.

Rene Orellana Halkyer, former Minister of Development Planning and Head of Delegation of Bolivia, and one of the early proponents of NMAs, then summarised his conception of NMAs. He said in his view, a NMA could also be understood as a set of elements composed of three dimensions: finance provision; technology transfer and capacity development; and mechanisms. Regarding finance, he listed two criteria: results-based findings, where results should be expressed in terms of mitigation, or mitigation plus adaptation; and inputting finance, while generating outputs in terms of mitigation, or mitigation and adaptation. The finance could be provided by the international level, as well as by the national or sub-national level, or a mix of them.

On technology transfer and capacity building, transfer of technology and capacity development is an input, and the output is specific targets in terms of mitigation, or mitigation and adaptation, results. Technology is understood as an input in order to achieve mitigation outputs, or mitigation and adaptation outputs. Technology and capacity development could be provided through different ways, including bulk procurement, acquisition in the technology market (for example of renewable energies), direct transfer on the basis of a menu of technologies attached to capacity building processes offered by the Climate Technology Centre and Network (CTCN), etc.

Halkyer said mechanisms include technical, normative, and institutional tools that could include finance provision as well as technology transfer and

capacity development, oriented to fulfil mitigation, or mitigation and adaptation, targets. Examples include joint mitigation and adaptation mechanisms for the integral and sustainable management of forests, and bulk purchasing. He concluded by saying that bulk procurement could be developed as a NMA, generating multiple impacts in terms of sustainable development and poverty eradication.

During the discussion, Halkyier clarified that while NMAs are not about marketing emissions reduction efforts, that does not mean that they have to avoid private investments. He cautioned against seeing NMAs as a “non-private investments approach”, saying the private sector can contribute to adaptation and mitigation, like the issue of bulk purchasing involves private investors.

Martin Hession, EU lead negotiator on Article 6, said the ecbi paper is a good contribution to the discussions on Article 6.8 as it describes one sort of NMA that could be explored under the NMA framework that will hopefully be established in Glasgow. He agreed that for various reasons, Article 6.8 has felt like a poor relation to some of the other aspects of Article 6. Progress has been made, however, and a work programme was defined in the latest iteration of the Madrid text. In the draft decision, Parties are encouraged to make submissions in which they identify the focus of the programme, the sorts of activities that they envisage being contained within the programme, and the scheduling of the work programme. The UNFCCC secretariat is also asked to prepare a technical paper to draw out synergies and efficiencies within and outside the work programmes. The institutional framework on the table is a NMA Forum. These elements of the draft decision provide a flexible framework within which the work programme can be taken forward.

Hession said the EU is keen to make sure that Article 6 will work correctly, without undermining ambition and equity within the Paris Agreement. Areas such as finance, adaptation, technology transfer, and capacity building have a long history of cooperation within the UN, he said, and there is concern among some Parties that we don't need to reinvent the wheel or repeat difficult discussions

which are taking place elsewhere under Article 6. But Article 6 is about taking these different aspects of cooperation and perhaps cooperation that doesn't take place, and asking how that cooperation is going, how can we foster more, how we can make it more efficient, and how we can deliver added benefits. The EU definitely supports market measures, and market measures are very important to domestic policy, he said, but the EU also has a range of other policies and other ways of cooperation that are not directly or indirectly related to market measures.

During the discussions, Diann Black-Layne, on behalf of the Alliance of Small Island States, said Small Island Developing States (SIDS) don't have a big market, and the cost of doing business in a small island is much higher. As a result, the cost of renewable energy, for instance, is about two and a half times higher than the cost in developed countries. Therefore while some SIDS may be classified as middle income countries with a high GDP, the cost of implementing climate change measures is also two and a half times that of a developed country. This will have to be considered in Article 6 discussions.

Since SIDS don't have large markets, Black-Layne continued, Article 6.8 is going to be extremely important for them, and the idea presented in the ecbi paper is therefore of great interest, as it could reduce energy efficiency costs for island States. Black-Layne noted existing examples of bulk purchasing in the CARICOM region to reduce costs, including for the COVID-19 vaccine, where funds were pooled with the WHO for bulk purchasing; bulk purchasing of medicine; and bulk purchasing of school textbooks. These past experiences have not been documented as well as the Indian example, she said, but efforts will be made to document the impacts of two renewable energy projects involving bulk purchasing, one under the Green Climate Fund and another under the Abu Dhabi Fund for Development.

Tomasz Chuszczow, former High Level Climate Champion, said the paper and discussion helped him realise how NMAs can be used to engage industries and other actors that are not directly involved in emissions trading, to develop a business case for engaging in

climate projects. He said the paper presents a very good example of how to use Article 6.8 and the platform of the Paris Agreement to distribute information and increase the efficiency of such engagements.

Müller agreed that one area of focus is how to make sure that Article 6.8 actually adds value to the bulk purchasing approach.

Michaelowa said it will be really important, in the context of the work programme, to identify groups of countries where we could actually harness the catalytic effect of bulk purchasing, and which areas should be prioritised.

Kumarsingh invited participants to consider other examples of NMAs under Article 6.8.

A few participants asked which of the focus areas identified in the Madrid draft text would accommodate the idea of bulk purchasing.

Black-Layne said AOSIS is working on how to work directly with the private sector on NMAs. She said the COVID-19 vaccine is an example of a technology developed for a planetary emergency by the private sector and delivered by the public sector in record time, and the climate emergency should get a similar response. As the example from India showed, the government has a role in ensuring that the technology is deployed equitably for everyone, until the private sector kicks in again and the government no longer had to be involved. After the hurricane season of 2017, Black-Layne said, seven private companies worked directly with Caribbean governments in their restoration and recovery efforts, resulting in large savings made by buying technologies (like Tesla batteries) directly from the companies while cutting out middlemen. Even when technology is owned by the private sector, she said, the government and institutions like the Green Climate Fund can come up with solutions for its dissemination.

Black-Layne highlighted another parallel between the COVID-19 vaccine and climate technology, saying some people oppose climate technology just like they oppose the vaccine. The best way to overcome that, she said, is to use education, and to buy in bulk and deploy the technology to demonstrate that it works. Both the governments and the private sector have a crucial role to play, she concluded.

Michaelowa agreed that the critical aspect of a successful programme of this type is to bring together various actors. He also agreed with the parallels to the COVID-19 vaccine, but highlighted one difference: the vaccine is an immediate necessity, so governments are willing to provide money even when the effectiveness of the technological solution is not yet known. In the climate change context, more information will be needed on whether the technology works.

Another participant asked how the dichotomy between community versus private actors can be addressed, given that in developing countries most of the solutions come from the community itself, and they experience a lot of issues when it comes to the markets.

Michaelowa responded that the technology needs to fulfil the requirements of people.

Hession said the NMA framework is about considering such cooperative efforts, providing advice, and sharing the lessons learned with each other. But, he reiterated, the first thing is to agree on the work programme.

Kumarsingh agreed that it is important to keep the priority for Glasgow in mind. He concluded the webinar by thanking participants for a useful discussion, saying it helped grapple with Article 6.8 in real terms. He emphasised the need for NMAs that respond directly to the needs of communities and small economies.

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