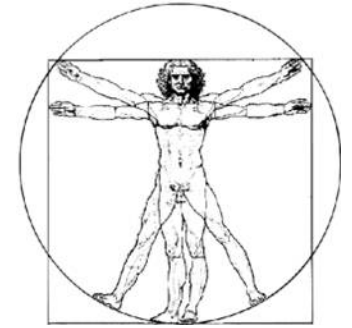


ecbi



Title : Article 6 of the Paris Agreement

Sub-title : The operationalization of SOP for 6.4 and 6.2

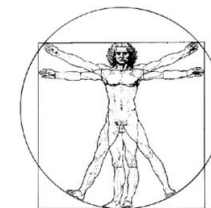
Presenter : El Hadji Mbaye DIAGNE

Affiliation : Afrique – Energie – Environnement Senegal

for sustained capacity building in support of international climate change negotiations

pour un renforcement durable des capacités en appui aux négociations internationales sur les changements climatiques

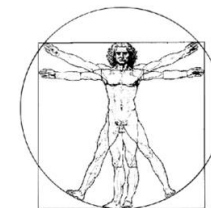
Share of Proceeds under the Kyoto Protocol



ecbi

- The Share of Proceeds (SOP) is not a new concept under the UNFCCC
- Art. 12.8 of the Kyoto Protocol (KP) states that “*The CMP to this Protocol shall ensure that a share of the proceeds from **certified project activities** 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.**”*
- Ensure that countries that do not use markets or host projects derive some benefit (e.g., SIDS, LDCs) from market-based activities
- Provide justification for UNFCCC involvement in markets:
 - Involvement of various stakeholders including businesses
 - Achievement of mitigation objectives in a cost-efficient manner
 - Increase the ambition
 - Contribute to Adaptation

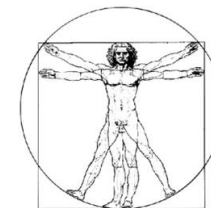
Share of Proceeds under the Kyoto Protocol : Doha



ecbi

- Decides that the share of proceeds shall be maintained at 2 per cent of the CERs issued for project activities;
- Decides also that for the second commitment period, the Adaptation Fund shall be further augmented through a 2 per cent share of the proceeds levied on the first international transfers of AAUs and the issuance of ERUs for Article 6 projects immediately upon the conversion to ERUs of AAUs or RMUs previously held by Parties;

Share of Proceeds in 6.4 text



ecbi

Levy of share of proceeds for adaptation [and administrative expenses]

74. The share of proceeds from an Article 6, paragraph 4, activity that is levied to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation shall be delivered to the Adaptation Fund.

Option A

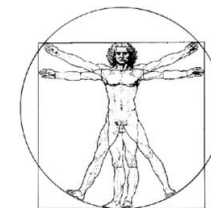
75. The share of proceeds for adaptation shall be set and levied at [[two][five][X] per cent at issuance.][[X] per cent at [forwarding][first transfer], increasing by [Y] per cent at each subsequent transfer.]

Option B

76. The share of proceeds for adaptation shall be set and levied at [X] at [registration][issuance]: {text for monetary rate needs to be developed}

77. [The share of proceeds to cover administrative expenses shall be set and levied at [X] at [registration][issuance].] {text for option of monetary rate and option of the combination of monetary rate and per centage of A6.4ERs needs to be developed}

Share of Proceeds in text 6.2



ecbi

Option A

62. Cooperative approaches [shall][should] deliver a share of proceeds to be used to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.

63. The share of proceeds [shall][should] be collected in respect of:

(Activities)

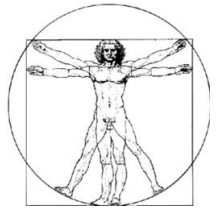
Option A1 (a) cooperative approaches that are baseline and crediting approaches that are similar to mitigation activities under the mechanism established by Article 6, paragraph 4.

Option A2 (b) crediting approaches implemented by Parties.

Option A3 (c) all cooperative approaches.

Option A4 (d) all acquisition of ITMOs.

Share of Proceeds in 6.2 text



ecbi

64. The share of proceeds [shall][should] be set at and levied at: (*level and how*)

Option A1: (a) X per cent/5 per cent/an increasing per ...cent/a diminishing per cent of the amount of ITMOs transferred/used towards achievement of an NDC.

Option A2 : (b) X percent at first transfer, increasing by Y percent at each subsequent transfer.

Option A3 : (c) Consistent with the share of proceeds pursuant to Article 6, paragraph 6, for the mechanism established by Article 6.4

65. The share of proceeds [shall][should] be:

(a) Collected by the creating/issuing Party at the first transfer of ITMOs and/or collected by a Party using ITMOs towards achievement of its NDC;

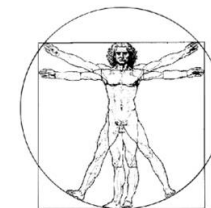
(b) Transferred by the creating/issuing Party to the Adaptation Fund;

(c) Collected by the acquiring Party at each ITMO transfer and transferred to the Adaptation Fund.

Option B {text from 8 December SBSTA text, paragraphs 54-57}

{no text required}

Share of Proceeds in 6.2 text



ecbi

Option C

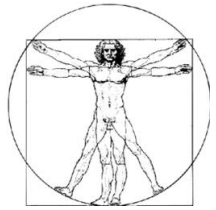
66. Cooperative approaches [shall][should] deliver a share of proceeds to be used to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.

67. The share of proceeds [shall][should] be collected in respect of [cooperative approaches that are baseline and crediting approaches that are similar to mitigation activities under the mechanism established by Article 6 paragraph 4] [crediting approaches implemented by Parties] [all cooperative approaches] [all acquisition of ITMOs].

68. The share of proceeds [shall][should] be set at and levied at [X per cent / 5 per cent / an increasing per cent / a diminishing per cent of the amount of ITMOs transferred / used towards achievement of an NDC] [X percent at first transfer, increasing by Y percent at each subsequent transfer] [consistent with the share of proceeds pursuant to Article 6, paragraph 6, for the mechanism established by Article 6, paragraph 4].

69. The share of proceeds [shall][should] be [collected by the creating/issuing Party at the first transfer of ITMOs and/or collected by a Party using ITMOs towards achievement of its NDC] [transferred by the creating/issuing Party to the Adaptation Fund] [collected by the acquiring Party at each ITMO transfer and transferred to the Adaptation Fund].

Share of Proceeds in 6.2 text



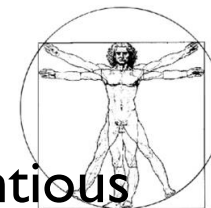
ecbi

Option D : (how and what)

70. [Cooperative approaches [shall][should] deliver a share of proceeds to be used to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation, through a monetary levy of [X] per cent of the value of the ITMOs used towards an NDC.] {end of Option D}

71. [Cooperative approaches [shall][should] deliver a share of proceeds to cover administrative expenses incurred by host Parties.]

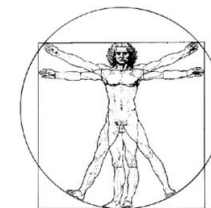
Share of Proceeds under the Article 6 : Main Issues



ecbi

- SOP is a specific requirement of 6.4 but not 6.2 making this a contentious issue in the negotiations
- Contribution of markets mechanisms to both Mitigation and Adaptation (6.1)
- Call for balance treatment of certain activities under 6.2 and 6.4
- Different type of ITMOs (activities under 6.2)
- Only benefit from the market mechanisms for some Parties (LDCs, SIDs and african countries)
- Precedent under the KP
 - Only under the CDM
 - Expansion by CMP decision
- Operationalization in both 6.4 and 6.2 (how to ensure stable source of long-term finance for Adaptation)
 - Level of the levy
 - In kind or/and monetary (levy both administrative and adaptation SOP as a mix of monetary fees and in-kind payments)
- No double taxation for 6.4 units transferred internationally under 6.2
- Simple and applicable rules.

Share of Proceeds: Operationalization



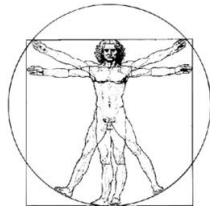
ecbi

Article 6.4:

- Level of the SoP
- Monetary versus in-kind or combination
- No double taxation if 6.4 units

Article 6.2:

- Principle of the application of the SoP to 6.2
- Different application depending to the variety of ITMOs
- Monetary versus in-kind
- Timing: when will the SoP be applied



ecbi

Thank you for your attention