



Article 6 piloting status update with focus on private sector issues

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**Eastern Africa carbon market engagement:
Regional foundations for Article 6 implementation**

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Study on landscape of Art. 6 pilots

- **Regularly updated overview** of ongoing Article 6 pilots by bi- and multilateral organizations
- Analysis of **emerging rules, trends and experience** with Article 6 implementation focusing on how pilot activities respond to the Paris Agreement/NDCs
- The analyzed activities represent the **diversity** of approaches that can be pursued under Article 6.2/6.4/6.8
- Available at www.climatefinanceinnovators.com



The global Art. 6 piloting landscape



SELECTION OF ARTICLE 6 PILOT INITIATIVES

- World Bank SCF
- JCM
- NEFCO
- EU-ETS / Swiss ETS Linking
- Klik Foundation
- SEA Virtual Pilot
- Chile-Canada Agreement



Key changes for Art. 6 pilots compared to Kyoto Mechanisms

- **CDM** was mainly driven by **private sector**
 - Companies generated CDM credits as new type of export commodity
 - No risk for government due to export of CDM credits: hands-off
- **Art. 6** has **larger role for governments**
 - **Corresponding adjustments** for ITMOs, link to NDC accounting and **the Enhanced Transparency Framework** (Art. 77d): Countries need to “**subtract**” exported ITMOs from their NDC and **report** in detail
 - **Negotiation of contracts, sharing mitigation with buyer**
 - **Host country capacity and interaction between actors are crucial!**
- **Baselines and additionality under Art. 6.4 with greater sector orientation, recognizing BAT or performance benchmarks**
 - **Lesser role for distinct projects**

The KLiK criteria with relevance for private sector

- **Plausibility of business model**

- solid prospect of selling the underlying products
- open to a variety of distribution and/or implementation partners
- potential for replicability / scalability
- activity has already been successfully tested in the field
- financial close is in reach

The logo for KLiK, featuring the letters 'KLiK' in a bold, sans-serif font. The 'L' and 'i' are smaller and positioned between the two 'K's. The 'i' has a dot. The letters are dark blue.

- **Suitability of counterparty**

- track record, reputation of mitigation activity proponent, implementation partner(s)
- capability of proponent to implement, and operate, the activity

- **Convincing role of carbon**

- **Self sustainability**

- **Limited and predictable risks of activity**

Reflections and conclusions with private sector focus

- **Despite delays in negotiations, Article 6 piloting begins to generate practical experience, driven by a small number of host and buyer countries, MDBs**
 - Swiss KliK wants contracts with private sector players
 - Criteria highly appropriate for private business
- **Many links to existing mechanisms and portfolios**
 - Many programmatic approaches, key for successful upscaling
 - Some innovative upscaling (TCAF, SCF) but slow to materialize
- **Uncertain CDM transition may constrain early Art.6 action**
- **East African private sector experience and concerns should inform finalization of PA rulebook, and continuous evolution of Article 6 rules**

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Thank you!

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