

Japan's submission on Article 6 of the Paris Agreement

Enabling ambition in Article 6 instruments

June 2021

Introduction

Japan welcomes the invitation from the SBSTA Chair to voluntarily submit further views on the enabling ambition in Article 6 instruments. In the following, Japan presents its views on this subject.

Overview

It is essential that Article 6 promotes higher ambition in NDCs of each participating Party including a host Party. For this purpose, the following items should be incorporated in developing a methodology for the Article 6.4 mechanism. Mitigation outcomes generated from cooperative approaches referred to in Article 6.2 can also contribute to higher ambition by, among others, setting a conservative baselines in each scheme.

Items to be incorporated in the methodology section of the rules, modalities and procedures for the Article 6.4 mechanism (RMPs)

In developing the methodology section of RMPs, those items such as (1) principles, (2) baseline approaches, (3) standardized baselines, and (4) additionality should be clearly explained, by considering examples from existing mechanisms including the CDM. Each item is addressed below in more detail.

(1) Principles

It is necessary to indicate what principles form the basis for a methodology development. Taking into account the principles in existing mechanisms as well as requirements arising from the Paris Agreement, the following elements need to be included in the principles for a methodology development in the Article 6.4 mechanism;

- Contributing to host Party's emission reductions and removals.
- Setting baselines below a business as usual (BAU) level for ensuring environmental integrity.
- Selecting baseline approaches, assumptions, parameters, data sources and key factors so that baselines will be below a BAU level, while ensuring transparency
- Contributing to the implementation and achievement of host Parties' NDCs with applying accounting rules for Article 6.4 emission reductions and removals. (How to operationalise this principle in an actual methodology development should be further elaborated by the Supervisory Body (SB) in consultations with a host Party.

- Contributing to the implementation and achievement of host Parties' long-term strategies (LTS) by applying accounting rules for Article 6.4 emission reductions and removals. (How to operationalise this principle in an actual methodology development should be further elaborated by the SB in consultations with a host Party.
- Accounting for all material emissions that are significant and reasonably attributable to an Article 6.4 project activity from both inside and outside of the project boundary.

(2) Baseline approaches

The baseline approaches which are already defined in the modalities and procedures of the CDM, should be defined in the RMPs as well by taking into consideration the following points, based on experiences from existing mechanisms (eg. CDM¹, Joint Crediting Mechanism² and Verified Carbon Standard³). How to operationalise those approaches in an actual methodology development should be further elaborated by the SB.

- The definition of “performance-based approach”

Since “performance-based approach” is defined in the presidential draft texts on Article 6.4 presented at COP25 in multiple ways, the definition needs to be sorted out based on experiences of existing mechanisms. In order for raising ambition, notions of best available technology (BAT) and benchmarks should be included in the approach.

- Menu and hierarchy

Multiple baseline approaches have been applied according to different types of projects under existing mechanisms. As various project types are also expected in the Article 6.4 mechanism, it would be appropriate to provide a menu method as well as a hierarchy method from which certain baseline approaches are chosen as appropriate. The baseline approaches to be considered in a menu method and a hierarchy method should include those approaches as described in the presidential draft texts.

(3) Standardized Baseline

Standardized baselines may be developed by the SB at the request of a host Party, or may be developed by a host Party and approved by the SB. Standardized baselines should be established at the highest possible level of aggregation in the relevant sector of the host Party.

Definition of regional BATs and “performance-based” baselines for developing standardized baselines should be further elaborated by the SB.

¹ For CDM, Decision 3/CMP.1, Modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol, ANNEX, Modalities and procedures for a clean development mechanism, Para. 48, FCCC/KP/CMP/2005/8/Add.1

² For JCM, reference emission can be derived from, for instance performance of equipment, standards, and bench mark as described in JCM Guideline for Developing Proposed Methodology. https://www.jcm.go.jp/rules_and_guidelines

³ For VCS, types of baseline approaches includes (1) performance method, (2) activity method, which is described in the standardized methods under VCS, <https://verra.org/project/vcs-program/methodologies/standardized-methods/>

(4) Additionality

As the additionality test under the CDM has required complicated demonstration and has imposed significant burdens on project participants, a similar approach should be avoided. If an activity exceeds the certain emission reduction level which is required by law, regulation, or another legally binding mandate in the host Party, that activity can be deemed additional. Furthermore, as long as the project can demonstrate its contribution to the implementation and achievement of the host Party's NDC and the LTS as mentioned in the above (1) by applying corresponding adjustments, the project activity can be deemed as generating additional emission reductions.