

Japan's Submission on SBSTA item 12 (b)

Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement

(17 March 2017)

Japan is pleased to submit its views on rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement in line with paragraph 4 of FCCC/SBSTA/2016/L.29. This submission includes the following: elements to be addressed, including their operationalization, in the rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement, overarching issues, and relationships between Article 6, paragraph 4-6, and other provisions of the Paris Agreement, the United Nations Framework Convention on Climate Change (UNFCCC) and its related legal instruments, as relevant.

Operationalization

The mechanism under Article 6, paragraph 4 (hereafter referred to as the Mechanism), should contribute to delivering an overall mitigation in global emissions as mentioned in sub-paragraph (d) of the paragraph. In order to achieve this objective, the Mechanism should arrange an institutional framework and rules and modalities to avoid double counting and to achieve net emission reductions.

In order to achieve net emission reductions, the methodological approach to calculate emission reductions and removals under the Mechanism should be redesigned from the one under the clean development mechanism (CDM). One way to do this is to set conservative reference emissions and removals. The Mechanism should learn from the experience of existing mechanisms being implemented so far.

Regarding the governance of the Mechanism, the membership of its supervising body should be constituted in such a way that ensures better representation of all Parties. Approach to the member selection should be based on a new idea that is different from the one for the CDM under which countries are bifurcated into the Annex I and non-Annex I Party categories.

The operational cost of the Mechanism should be borne by Parties utilizing it and the cost should be covered by the fees for project registration and credit issuance.

In order to avoid double counting, both the accounting guidance on Article 6, paragraph 2, and the reporting modalities, procedures and guidance on Article 13, paragraph 13 should apply to the accounting under the Mechanism. Specific approach to the accounting is described below:

- Data recorded in a registry system (s), which manages credits/units generated under the Mechanism, are reported in the context of tracking progress of NDCs.
- Data to be reported include:
 - (i) Name of the originating Party where emission reductions occurred
 - (ii) Amount of credits/units issued based upon emission reductions occurred in the originating Party
 - (iii) Amount of credits/units transferred and acquired internationally
 - (iv) Amount of credits/units held on the last day of each year
 - (v) Amount of credits/units used to achieve NDCs
 - (vi) Amount of credits/units cancelled
 - (vii) Vintage of credits/units
- The timing of reporting should be in line with the modalities, procedures and guidelines of the enhanced transparency framework in Article 13 of the Paris Agreement.

Overarching issues

In terms of the work program and time line, we should discuss the elements to be included in the rules, modalities and procedures for the mechanism at SB46 in May 2017 and decide on such elements at SB47 in Bonn in November 2017. The draft decision should be developed at SB48 in May 2018 based on the agreed elements for its adoption at COP24 in November 2018.

Relationship with other provision

Regarding the transition issue of the CDM, the Mechanism should be established based on the experience gained and lessons learned from the existing mechanisms and approaches adopted under the Convention and its related legal instruments as referred to in paragraph 37 (f) in decision 1/CP.21. This means that we should consider not only the CDM but also other mechanisms and approaches under the Convention to reflect them in the Mechanism. The Mechanism should not be built on the bifurcated approach of the CDM. Furthermore, there are various challenges in migrating already issued certified emission reductions (CERs) as well as already registered CDM projects into the Mechanism.