

Japan's Submission on SBSTA item 10 (b)

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

(2 October 2017)

Japan welcomes the opportunity 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 5 of FCCC/SBSTA/2017/L.16. This submission includes the following: the content of the rules, modalities and procedures, including the structure and areas, issues and elements to be addressed.

Elements to be addressed

The mechanism has been established by Article 6, paragraph 4 (hereinafter referred to as “the 6.4 mechanism”) under the Paris Agreement. Therefore, it is essential that its rules, modalities and procedures should be designed in the context of the Paris Agreement. Particularly, its governance, cost structure, overall mitigation, avoidance of double counting including corresponding adjustment, reporting of data under the transparency framework, and the relationship with existing mechanism are the issues and elements to be addressed.

Governance structure

Regarding the governance structure of the 6.4 mechanism, the membership of its supervising body should be constituted in such a way that ensures better representation of all the Parties under the Paris Agreement. Approach to the member selection should be based on a new idea that is different from the one for the clean development mechanism (CDM) under which countries are bifurcated into the Annex I and non-Annex I Party categories. One way to address this is to nominate from the UN regional categories.

Operational Cost

The operational cost of the 6.4 mechanism should be borne by beneficiaries of the mechanism. The operational cost of the 6.4 mechanism should be based on contribution from the Parties and the cost of project procedure such as project registration and issuance of credits should be based on fees collected from project participants.

Overall mitigation

The 6.4 mechanism should contribute to delivering an overall mitigation in global emissions. In order to achieve an overall mitigation, the methodological approach to calculate emission reductions and removals should be redesigned learning from the experience of existing mechanisms including the CDM.

One way to do this is to set conservative reference emissions and removals compared to baseline emissions used in the CDM. The reference emissions are calculated below business-as-usual (BaU) emissions which represent plausible emissions in providing the same outputs or service level of the proposed project. Alternatively, the amount of project emissions can be calculated larger by using higher default values. Such approaches should be included in the rules, modalities and procedures.

Avoidance of double counting including corresponding adjustment

In order to avoid double counting, credit generated from the 6.4 mechanism should be subject to corresponding adjustment in line with the guidance of Article 6, paragraph 2. The credits/units need to be recorded in the registry for the 6.4 mechanism. The 6.4 mechanism registry should be established as a new and cost effective system, which does not require to link with existing national registry nor the international transaction log (ITL) system.

Reporting of credit data under transparency framework

Data recorded in a registry system (s), which manages credits/units generated under the 6.4 mechanism, are reported through the transparency framework applying the reporting modalities, procedures and guideline of Article 13, paragraph 13. Data to be reported include the followings:

- (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 retired to achieve Nationally Determined Contributions (NDCs)
- (vi) Amount of credits/units cancelled
- (vii) Vintage year of credits/units

Relationship with existing mechanisms

The 6.4 mechanism is established under the Paris Agreement. The 6.4 mechanism should not be built on the bifurcated approach of the CDM.

The 6.4 mechanism should learn from existing mechanisms and approaches adopted under the United Nations Framework Convention on Climate Change and its related legal instruments as referred to in paragraph 37 (f) of 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 into the 6.4 mechanism.

Furthermore, there are various challenges in the transition of the CDM into the 6.4 mechanism such as the treatment of already issued certified emission reductions (CERs) as well as already registered CDM projects. There will be issues related to how to address the avoidance of double counting if the credit issued before 2020 is used under the Paris Agreement. Another issue is how the host country can avoid double counting if it uses the issued credit originated from the country for the achievement of its NDC in the post 2020 period under the Paris Agreement.