Matters relating to Article 6, Paragraph 8, of the Paris Agreement

Responding to FCCC/PA/CMA/2021/L.20 Para. 6(a) – (d)

Addressing potential additional focus areas for development of non-market approaches that may be facilitated under the framework[1] and relevant non-market approaches.

At Citizens' Climate International[2], we wish to highlight the emphasis Article 6 of the Paris Agreement places on:

1. Cooperative decarbonization
2. In line with the standard of advancing overall mitigation of global emissions (OMGE)
3. Instruments and strategies that are cooperative, verifiable, and transparent
4. Fostering sustainable development

We consider efficient and effective non-market approaches to provide real incentive and opportunity across all four of these core action priorities. As context for our outline of additional focus areas and relevant non-market approaches, we wish to highlight three key action paragraphs of Article 6: International transfer of mitigation outcomes (ITMO) under Article 6.2; ITMO within a new and specific trading system, the Sustainable Development Mechanism (SDM) under Article 6.4; non-market approaches (NMA) under Article 6.8.

We recognize that all three of these modes of cooperative implementation must allow for some cooperative enhancement of overall ambition, provide clear pressure to reduce pollution, along with transparent measurement of impact, and support enhanced access to sustainable, climate-smart development for a diverse range of communities, including the most vulnerable and marginalized urban and rural areas.

Given the time pressures scientific evidence suggests, if we are to act quickly enough to avoid catastrophic climate emergency, we favor economy-wide[3] policies with rapid decarbonization timelines and which guard against unfair impact on low-income communities. The efficient design of such climate incentive systems depends on starting from high ambition and supporting rapid multisector transformation.

Information sharing between countries, specific communities, and constituencies will be vital for facilitating cooperative decarbonization in line with the 1.5ºC upper limit for global heating and inclusive sustainable development.

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[1] Work programme under the framework for non-market approaches referred to in Article 6.8, of the Paris Agreement: https://unfccc.int/sites/default/files/resource/cma3_auv_12c_PA_6.8.pdf

[2] This submission is prepared by Citizens' Climate International for the Citizens' Climate Education observer delegation. To follow up on this submission, please contact the CCI core team at inquiries@citizensclimateintl.org

[3] Economy wide policies can more easily be achieved if they start upstream, near the point at which potential emissions enter the economy.

Examples of potential additional focus areas of non-market approaches that may be facilitated under the framework (e.g. social inclusivity, financial policies and measures, circular economy, blue carbon, just transition of the workforce, adaptation benefit mechanism) and existing relevant non-market approaches that may be facilitated under the framework in the potential additional focus areas

We wish to recommend for consideration at the upcoming SBSTA 56 session, the following focus additional focus areas of non-market approaches:[4]

- **Fiscal policy interventions** — including adjustment of taxes[5] to account for costs and impacts of carbon pollution and climate destabilization.
- **Carbon-based border adjustment mechanisms** — through which Parties cooperate to enhance their overall alignment and combined mitigation capacity.[6]
- **Financial regulatory measures** — including those that that require carbon emissions accounting and transparent reporting of carbon emissions throughout value chains, as well as carbon liability assessment and reporting and those that label specific assets, instruments, or financing strategies as having an intended climate change mitigation, adaptation, or resilience-building and sustainable development effect.
- **Natural capital** — covering payments for climate services and ecosystem restoration, including incentives for enhancing the capacity of soils to host and sustain robust ecology and biomass.
- **Carbon drawdown** — recognizing that carbon drawdown activities may be highly technical in nature, or driven by sharing of knowledge or innovative financial activities, and might include forestry, agriculture, management of ecosystems and watersheds, and investments in green infrastructure.
- **Ocean stewardship** — connecting NMA and related policies and incentives to downstream ocean health and resilience impacts, recognizing the potential of ocean ecosystems to assist with carbon drawdown, anchor a more stable climate system, and determine the speed at which atmospheric greenhouse gas concentrations accumulate and result in global heating.
- **Conditioned development finance** — which might include any or all of the above, and which might create diverse multistakeholder communities, integrating climate action incentives across multiple scales of public authority and market reach.

We favor inclusive, sustainable development, and do not wish to see development finance reduced or curtailed. We also view donor countries, development institutions, and their

[4] We provide a series of examples, which are not exhaustive of the possible NMA work in the focus area.

[5] CCI views carbon tax policies as adjacent to and distinct from other carbon pricing modalities, because they do not entail trading of offsets and credits and they do not provide a transfer of mitigation outcomes across borders.

[6] While the UNFCCC may not be the venue where carbon border adjustments are designed or adjudicated, we recognize them as valuable non-ITMO approaches to properly containing and minimizing the potential unauthorized transfer of carbon pollution or mitigation outcomes.

directorate bodies as having responsibility for ensuring development finance is climate-smart and aligned with inclusive, sustainable development, and able to be deployed without delays that would undermine human development or early access to sustainable wellbeing.

Rules for non-market approaches to OMGE hold immense promise for accelerating climate-smart finance, agriculture, land use, infrastructure, and development. A provisional list of specific tools we see being available to policy-makers would include but not be limited to:

1. **Standards and regulations** — Financial regulations, trade-related conditionalities, and border adjustments and related negotiations, that allow nations to cooperate to secure a faster pace of decarbonization;[7]
2. **Climate income policies**[8], which create an economically efficient, fast-moving decarbonization pathway, and foster green recovery[9] by setting strong, steadily rising carbon prices, with revenues returned to households and communities, to ensure price pressures fall on polluters;
3. **Carbon-related border adjustments** — Domestic and cooperative mechanisms that support carbon border adjustments[10], to ensure climate leaders don't lose trade to pollution offshoring;
4. **'Floor price' measures** — Diplomatic, fiscal[11], and policy action toward an effective international "floor price" for carbon pollution;[12]
5. **Accounting and avoidance** — Regulatory measures[13] that mandate accounting, disclosure, and avoidance of carbon-related liabilities;
6. **Nature finance** — Enabling policies that create conditions for climate-smart, nature-positive financial instruments[14], and other forms of green finance;
7. **Fiscal rescue funding** — Linking Special Drawing Rights (SDR)[15] to Paris Agreement action and funding, given the urgency of scaling up mainstream finance

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[7] Compounding climate pressures will force the greening of capital: https://resilienceintel.org/2021/10/17/compounding-climate-pressures-will-force-greening-of-capital/

[8] Climate income policies: http://citizensclimate.earth/people-centered

[9] We recognize that NMA design and implementation, along with other mitigation and finance interventions, must take place in the context of national economies depressed by the disruptions of the COVID-19 pandemic emergency. A strong climate action pathway must include measures to avoid additional harm to lower income families and communities, while creating a reliable investment incentive for climate-smart business models.

[10] On the EU Carbon Border Adjustment Mechanism: https://citizensclimate.earth/2021/03/15/european-parliament-votes-to-advance-carbon-border-adjustments/

[11] This includes straightforward carbon taxation policies, recognizing that Article 6 focuses on "cooperative implementation."

[12] Toward an international flood price for carbon pollution: https://resilienceintel.org/2021/06/30/imf-staff-propose-international-carbon-price-floor/

[13] Financial regulators are finding that climate emergency could destabilize the financial system, and working to develop regulations to secure against that collapse: https://resilienceintel.org/2021/10/25/fsoc-warns-climate-disruption-could-destabilize-financial-system/

[14] Initiatives like the Good Food Finance Network are working to develop innovative financial instruments to facilitate mainstream investment in nature and climate services: https://goodfood.finance/2021/09/20/2nd-good-food-finance-high-level-leaders-roundtable/

[15] Special Drawing Rights are named in the Preamble to the Glasgow Pact, and were expanded to record levels in 2021: https://www.imf.org/en/Topics/special-drawing-right/2021-SDR-Allocation

for climate mitigation, adaptation, and resilience, from the public, private, and multilateral sectors;

8. **'Labeling' and tracking** — Labeling, accounting, data-sharing, impact tracking, and transparency practices that expand opportunity for mainstreaming of climate-smart finance;[16]
9. **Food systems** innovation measures, supported by policies, financial instruments[17], consumer health and safety regulations, and the linking of multifocal science insights to impact investment strategies by public, private, and multilateral institutions.
10. **Data integration** — Policies, institutional arrangements, and business model innovation incentives that support integration of Earth science data platforms[18] into financial decision-making information flows;
11. **Transition assistance** — Direct and indirect incentives and blended financing strategies that support accelerated transition[19] of emissions-dependent local and regional economies to climate-smart low-emissions standards and practices;
12. **Multilateral coherence** — Action by existing international institutions to become engines for climate action incentives and enforcement, connecting climate action aims, impacts, and metrics, to their respective decision-making, financing, and multilateral policy intervention capabilities.

All of these tools can be brought to bear at global, national, and local scales, to make climate-smart practices the everyday norm. Doing that will make all of the Sustainable Development Goals more attainable. We welcome the treatment of Article 6.8 as a foundation for the instrumentation of these multifocal sustainable financing models. Building on Glasgow should mean we can reliably expect and report on how investments in everyday life-shaping activities—like food and agriculture, energy production, transportation, building and telecommunications—also create measurable benefits for climate mitigation, adaptation, and resilience, and for improved human health and related human capital improvements.

Recalling Annex I, Section II, we wish to emphasize that non-market approaches can and will be voluntary and diverse in modality, focus, scope, and timeframes. NMAs should include policies that allow for balancing and aligning, without transferring mitigation outcomes. We also recognize that non-market approaches should expand the scope and accelerate the pace of overall global emissions reduction.

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[16] Financial integration and inclusion are needed to get best results from Glasgow outcomes: https://resilienceintel.org/2021/12/02/financial-integration-inclusion-needed-to-get-best-results-from-glasgow-outcomes/

[17] The Good Food Finance Network is supporting multisector financial innovation toward food systems transformation, and has identified fourteen Actionable Areas of Innovations, outlined here: https://goodfood.finance/2021/09/20/2nd-good-food-finance-high-level-leaders-roundtable/

[18] Integration of data systems is critical for gaining access to the integrative insight metrics required to properly align finance with the building of natural capital: https://earthintel.org/tag/data-systems/

[19] This can include cooperative strategies known as "accelerated depreciation" that allow for revaluing of long-term contracts and assets that are likely to be "stranded" by the necessary rapid transition away from energy and industrial systems that emit global heating pollution.