



OIL AND GAS CLIMATE INITIATIVE

OGCI position on Article 6

**Proposed policies to enhance the role
of Article 6 in raising climate ambition**

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WHY ARTICLE 6 MATTERS

Nationally Determined Contributions (NDCs) are at the heart of the Paris Agreement and key to realizing its climate ambitions. NDCs embody efforts by each country to reduce national emissions and adapt to the impacts of climate change. The Paris Agreement requires each Party to prepare, communicate and maintain successive NDCs that each party intends to achieve. Parties pursue domestic mitigation measures, with the aim of achieving the objectives of such contributions.

The Paris Agreement recognizes that these goals will be achieved over time and, therefore, builds on a ratcheting up of aggregate and individual ambitions over time. NDCs are submitted every five years to the UNFCCC Secretariat with this due in 2020. Further, Parties “should strive to formulate and communicate long-term low greenhouse gas emission development strategies” pursuant to Article 4 paragraph 19 of the Paris Agreement, and that they should submit these mid-century long-term strategies to the UNFCCC Secretariat.

Article 6 of the Paris Agreement aims to assist governments in implementing their Nationally Determined Contributions (NDCs) through voluntary cooperation and the development of new market approaches in a way that ensures the avoidance of double counting. At the time of writing this paper, it is the only unresolved section of the Paris Agreement rulebook and will be negotiated in November 2021 at COP26 in Glasgow.

Article 6.2 promotes robust cooperative approaches that would allow the use of “internationally transferred mitigation outcomes” between nations willing to do so with environmental integrity and transparency. Article 6.4 establishes a mechanism, which contributes to the mitigation of greenhouse gas emissions and supports sustainable development. To this end, Article 6.4 incentivizes the participation in the mitigation of greenhouse gas emissions by public and private entities that are willing to generate and transfer mitigation outcomes.

Article 6 could provide also a framework to carry over some emissions reductions and projects from the Kyoto Protocol flexible mechanisms (Clean Development Mechanism and Joint Implementation) to the Paris Agreement.

Policies are an important part of successful national climate strategies. Well-designed policies and regulations, so as to achieve a balance of greenhouse gas emissions between sources and sinks aiming for a net zero future, should take into account energy security, market stability, affordability as well as reliability to ensure promotion of sustainable development.

Proposed policies to enhance the role of Article 6 in raising climate ambition

OGCI believes that, for the majority of sources and sectors, the most effective means of reducing emissions is the application of an economic value (or price) to carbon-based emissions (see OGCI Position Paper on [Carbon Value](#)). Explicit market-based mechanisms – such as carbon taxes or emissions trading programmes – can provide a transparent and technology-neutral pathway to greenhouse gas emissions abatement.

Article 6 of the Paris Agreement aims to assist governments in implementing their Nationally Determined Contributions (NDCs) through the development of voluntary international cooperation. If properly designed, international cooperation under Article 6 could make it easier to achieve reduction targets and raise ambition. This cooperation should ensure environmental integrity, transparency, consistency and rules to avoid double counting of mitigation. Agreeing the Article 6 rulebook will again be a key agenda item heading into COP26 in Glasgow.

More specifically, while current aggregated NDCs and pledges are not expected to enable limitation of global temperature increase to well below 2°C vs pre-industrial level, Article 6 implementation may allow countries to cost-effectively increase their climate ambitions.

OGCI member companies support the aims of Article 6 and believe the following to be key components of a well-designed system to achieve these aims:

- Enables the transfer of Internationally Transferred Mitigation Outcomes (ITMOs) for use towards Parties' NDCs.
- Incentivizes actions that prevent, mitigate or remove emissions.
- Clearly defines the scope of the Article 6.4 mechanism – and makes it clear that carbon capture, use and storage (CCUS) is included in both Article 6.2 and Article 6.4.
- Develops systems that ensure the avoidance of double counting of mitigation outcomes transferred internationally.
- Ensures that the choice of metrics (e.g. tCO₂e, MWh, etc.) for ITMOs allows for international cooperation under any NDCs, facilitates a liquid market and enables consistent monitoring, reporting and verification of ITMOs and Article 6.4 units, and recognizes the nationally determined nature of commitments under the Paris Agreement NDCs.
- Defines and enforces quality and vintage rules for the transition of any Certified Emissions Reductions from the Clean Development Mechanism (CDM).
- Rapidly approves those CDM methodologies by an oversight body that will be accepted for use in the Article 6.4 mechanism.
- Addresses properly social and economic negative impacts and co-benefits resulting from activities under Article 6.

In order to speed up the implementation of Article 6, OGCI member companies welcome the development of market pilots and market clubs among countries that are willing to pioneer these new mechanisms. As a group of international companies, we stand ready to support initiatives that would enable the implementation of such international cooperation in a transparent and efficient manner.

FOCUS ON CCUS

The Intergovernmental Panel on Climate Change has made very clear assessments in AR5 and the Special Report on Global Warming at 1.5°C that CCUS is critical to the emissions reductions from the power sector, heavy industries such as cement and steel, and long-haul transport. Further, CCUS is critical to the deployment of negative emissions technologies, whether bioenergy with CCS (BECCS), or direct air capture with CCUS.

Article 6 could provide mechanisms to support the acceleration of CCUS. OGCI sees the global development of an economically viable, environmentally responsible CCUS industry as an essential part of a broad set of solutions needed to create low and zero-carbon energy and industrial systems, including those that enable negative emission technologies, in support of the Paris Agreement goals. CCUS is an integral part of the Circular Carbon Economy concept, supported by OGCI.

Accelerating CCUS will require governments and industry as well as other stakeholders to work collaboratively to develop and deploy supportive policies and investable business models. To this end, OGCI is working together with the countries of the Clean Energy Ministerial (CEM) CCUS initiative¹. Such structured international public-private cooperation needs to be supported by the recognition under Article 6 of the Paris Agreement of actions that use removal, storage and use technologies to allow for enhanced climate ambition in line with the Paris Agreement goals.

This will include the creation of a transferable asset class such as carbon storage units, resulting from cooperation established under Article 6.2 and also included under the scope of Article 6.4 mechanisms².

In the early stages, countries and companies could cooperate through a voluntary 'club' to create acceptance for mitigation outcomes from CCUS projects under Article 6.2 and recognized under Article 6.4 of the Paris Agreement. Further developments can be envisaged over time as experience with the mechanism grows, and the need to balance emissions from sources with enhancement of sinks increases to reach a net zero carbon economy.

¹ The Clean Energy Ministerial CCUS Initiative brings together energy ministers from 11 countries: Canada, China, Japan, Mexico, Netherlands, Norway, Saudi Arabia, South Africa, UAE, UK and USA. OGCI and CEM signed a joint declaration on accelerating the CCUS industry in 2019.

² The creation of such a carbon storage unit (CSU) has been suggested in literature (["A Mechanism for CCS in the Post-Paris Era"](#), KAPSARC). The CSU would be a unit representing a verified tonne of carbon dioxide (CO₂) or carbon, securely stored in geological formations.



OIL AND GAS CLIMATE INITIATIVE

WHAT IS THE OIL AND GAS CLIMATE INITIATIVE (OGCI)?

The Oil and Gas Climate Initiative is a CEO-led initiative that aims to accelerate the industry response to climate change. OGCI member companies explicitly support the Paris Agreement and its aims. As leaders in the industry, accounting for almost 30% of global operated oil and gas production, we aim to leverage our collective strength and expand the pace and scope of our transitions to a low-carbon future, so helping to achieve net zero emissions as early as possible.

Our members collectively invest over \$7B each year in low carbon solutions. OGCI Climate Investments was set up by members to catalyze low carbon ecosystems. This US\$1B+ fund invests in technologies and projects that accelerate decarbonization in oil and gas, industry and commercial transport.

OUR APPROACH TO ADVOCACY

OGCI is at the forefront of climate action in the oil and gas sector. OGCI constructively engages and advocates with external stakeholders on the basis of positions agreed by consensus.

For more details about our advocacy practices, please visit <https://oilandgasclimateinitiative.com/about-us/#advocacy>

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