



Article 6 of the Paris Agreement: Market Mechanisms

Background

Article 6 of the Paris Agreement refers to voluntary international cooperation to implement NDCs and to allow for higher ambition in their mitigation and adaptation actions as well as to promote sustainable development. It establishes three options for cooperation: i) Internationally transferred mitigation outcomes (ITMOs) which is based on carbon trading (Art 6.2), ii) the Sustainable Development Mechanism (Art 6.4) and iii) Non-market approaches (Art 6.8).

The overall idea of market-based instruments is to put a price on greenhouse gas emissions to internalize their impact into production and consumption, following the polluter-pays principle. The neoliberal assumption is that a carbon price provides an economic signal to emitters and allows them to decide to either transform their activities and lower their emissions or continue emitting and paying for their emissions. The overall global emission reduction goal is supposedly achieved in the most flexible and least-cost way to society, instead of dictating who should reduce emissions where and how (cf. World Bank definition). The trust and belief in a self-regulating market however has not only failed to achieve real shifts in emissions reductions so far, but it also doesn't create any guarantees to being able to achieve the deep and significant emissions pathways necessary to forgo catastrophic climate change as outline in the recent IPCC report on 1.5°C. Ambitious pre-defined mitigation goals (i.e. ambitious NDCs overall meeting the 1.5°C goal) as well as pre-defined minimal prices for GHG would be basic conditions to enable functioning market instruments.

Cooperative approaches such as emissions trading and offsets have also failed to deliver climate justice, due to their reliance on the exploitation of care work, human beings and natural resources and failure to stimulate transformation change away from unsustainable modes of consumption and production. In fact, we have seen how these instruments have led to new injustices, human rights violations, and, have largely ignored women and gender, indigenous peoples and local communities' rights, needs and aspirations (cf. CIEL; Carbon Market Watch, Wuppertal Institute, and others). Market mechanisms have proven to be highly problematic in terms of equity, efficiency as well as environmental and social effectiveness whilst also resulting in unintended negative consequences.

Countries are still far away from cutting emissions to a degree that would limit global warming to meet the Paris goal. In this context, cooperative approaches relying on existing markets as currently laid down in Article 6.2 and 6.4, remain false solutions and threaten to perpetuate and worsen the climate crisis.

From a feminist perspective deep-cuts of greenhouse gas emissions and the radical transformation from polluting forms of energy and an extremely exploitative economic-system will be most effectively achieved by setting clear goals and deadlines to end fossil fuel use and other forms of unsustainable energy and by enhancing renewable, community-based and sustainable energies, owned by and accessible to all, taking into account gendered needs. These must be the core instruments to fight the climate crisis in every countries' NDC.

However, feminists all over the world see the lack of those core solutions but face the creation of an increasing number of carbon markets including China which will soon be the biggest carbon market world-wide (cf. carbon pricing dashboard). This means we will fight even stronger for a just-system that redistributes wealth more equally between people, taking into account existing gender disparities, and for one that provides ground for more sustainable and human-centered approaches on national and sub-national levels (cf. WGC gender key demands).

Demands

Therefore, the WGC highlights the following key asks at #COP25:

- That the UNFCCC must provide for a strong framework that prohibits the inherent faults of market instruments which were observed in the past, but one that changes the paradigm from reducing emissions cost efficiently to enhancing ambition i.e. by promoting sustainable development and enhancing gender equality and that guarantees the reduction of overall global emissions reduction and prohibit double counting.
- The inclusion of strong rights-based, environmental and social and gender safeguards that will be applied to all Article 6 activities. In addition, appropriate consultation processes prior and throughout action with relevant stakeholders and rights holders, including in particular marginalized groups have to be ensured.
- That an independent grievance and redress mechanism especially for the SDM is put in place.

- The establishment of a Supervisory Body governing market and non-market mechanisms established under Article 6, providing clear guidelines and monitoring rules further defined in the work program such as calling for members having relevant socio-economic expertise. The Supervisory Body for Article 6 must collaborate with other bodies such as the Warsaw International Mechanism, the financial entities under the UNFCCC and the Forum on the impacts of the implementation of response measures to guarantee coherence.
- Emission reductions achieved by mechanisms of the Kyoto Protocol must not be used to achieve mitigation targets of the Paris Agreement regime from 2020 onwards. Projects being in the pipeline of the Kyoto mechanisms must not be automatically considered in the regime of the Paris Agreement but they must prove their environmental integrity, compatibility with human rights obligations and robust environmental and social safeguards.
- Sustainable development must be the leading principle not one supporting greatest emission cuts leading to finance unsustainable practices such as large hydro-dams or energy efficiency measures in energy intensive industries. The work plan should further develop a negative list of technologies that will not be supported under 6.4. This list should focus on additionality and projects that enhance socio-economic development, gender equality and women's empowerment and respect human and indigenous peoples' rights.
- Non-market approaches (Art. 6.8) cannot be left behind. Currently, there is a very uneven progress among different parts Art.6 and Art 6.8 has received insufficient attention from Parties. Parties must put more efforts to fully develop the concept, scope and activities under 6.8, including an explicit mention to the rights of indigenous people and local communities, gender justice and ecological and environmental integrity.