

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 are based on a market-based instrument and 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 (GHG) 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 lowest-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 does not guarantee the deep and significant emission reduction pathways necessary to forgo catastrophic climate change as outlined in the IPCC report on 1.5°C. Ambitious pre-defined mitigation goals (i.e. ambitious NDCs that meet the 1.5°C goal) as well as predefined minimum prices for GHG are basic conditions to enable functioning market instruments.

Cooperative approaches such as emissions trading and offsets, including voluntary markets, have also failed to deliver climate justice, due to their reliance on the exploitation of care work, human beings, natural resources, and their failure to stimulate transformative change away from unsustainable models of consumption and

The Women and Gender Constituency is one of the nine stakeholder groups of the United Nations Framework Convention on Climate Change (UNFCCC), consisting currently of 33 women's and environmental civil society organizations and a network of more than 600 individuals and feminist organizations or movements focusing on gender equality and women's human rights to achieve climate justice.

production. In fact, we have seen how these instruments have led to new injustices, land grabbing and human rights violations, and have largely ignored women and gender, local communities and Indigenous peoples' 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, environmental integrity and social effectiveness, whilst also resulting in unintended negative consequences.

Countries are still far from the necessary emission reductions required to limit global warming and achieve the 1.5°C goal of the Paris Agreement. In this context, cooperative approaches relying on existing markets as well as a new market-based mechanism (Sustainable Development Mechanism) as currently laid down in Articles 6.2 and 6.4, remain false solutions and threaten to perpetuate and worsen the climate crisis. On the other hand, Article 6.8 provides an opportunity for the development of integrated, holistic and balanced non-market approaches which is much welcome.



Gender Perspectives

Market-based approaches inherently favor those with economic power and tend to further entrench inequalities faced by women, Indigenous Peoples and other groups that are economically, socially and politically underrepresented. These approaches are born of existing colonial and patriarchal mindsets that perpetuate the root causes of the crisis they are supposed to address.

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

However, feminists all over the world see the lack of these core solutions but face the creation of an increasing number of carbon markets, including voluntary carbon markets. China will soon be the biggest carbon market world-wide (cf. carbon pricing dashboard); we will need to fight even stronger for a just system that redistributes wealth more equally between people, takes into account existing gender disparities and the impacts of the ongoing Covid-19 pandemic. We want a system that provides ground for more sustainable and human-centered approaches at national and sub-national levels (cf. WGC gender key demands).



Demands

Therefore, the Women and Gender Constituency highlights the following key demands at COP26:

- ➔ The UNFCCC must provide for a **strong framework that prohibits the inherent flaws of market instruments**, which have been well observed in the past. A paradigm shift from reducing emissions “cost efficiently” to enhancing ambition is required, that includes promoting sustainable development, poverty eradication and enhancing gender equality. This paradigm shift must deliver on the overall global emissions reduction, prohibit double counting and go beyond zero-sum offsetting approaches.
- ➔ The **inclusion of strong rights-based, environmental, social and gender safeguards, and gender considerations must be applied to all Article 6 activities**. In addition, appropriate consultation processes prior and throughout action with rights holders and relevant stakeholders—in particular the local communities and Indigenous peoples, and marginalized groups—must be ensured.
- ➔ An **independent grievance mechanism must be established specifically for the SDM**.
- ➔ The **establishment of a Supervisory Body governing market and non-market mechanisms under Article 6 should be ensured**, which provides clear guidelines and monitoring rules in the work programme ensuring that members have relevant socio-economic expertise. The Supervisory Body must collaborate with other bodies such as the Warsaw International Mechanism, finance mechanisms under the UNFCCC and Paris Agreement and the Forum on the impacts of the implementation of response measures to guarantee coherence.
- ➔ Emission reductions achieved from 2020 onwards in the Kyoto Protocol Clean Development Mechanism (CDM) must not be used to achieve mitigation targets of the Paris Agreement as this will undermine the ambition of the Agreement. CDM activities’ transition to Article 6.4 mechanism must not be automatically considered. They **must prove their environmental integrity; compatibility with human rights obligations; and robust environmental, social and gender safeguards as well as appropriate public consultation**. They must address the issues of non-permanence and leakage to avoid the same mistakes as CDM.
- ➔ **Sustainable development should be the leading principle of the SDM under Article 6.4** over quantified emission reductions that could lead to unsustainable solutions such as large hydro-dams or energy efficiency measures in energy intensive industries. The rules, modalities and procedures (RMP) developed should include a list of harmful technologies that will not be supported under SDM. SDM should focus on additionality and projects that enhance socio-economic development, gender equality and women’s empowerment, and respect for Human and Indigenous Peoples’ Rights.

- ➔ Non-market approaches (Art 6.8) are still neglected compared to Articles 6.2 and 6.4. Parties need to speed up efforts to develop the concept, scope and activities, including the work programme and framework, which should **explicitly mention the rights of local communities and Indigenous peoples, gender justice and environmental integrity**. Also, the work programme must incorporate ecosystem-based approaches.

References and Additional Resources

1. [Time to make Article 6 work for the climate](#)
2. [Rights, Carbon, Caution: Upholding Human Rights under Article 6 of the Paris Agreement](#)
3. [Real Solutions, Real Zero: How Article 6.8 of the Paris Agreement Can Help Pave the Way to 1.5°](#)

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