

Community of Practice on Clean and Affordable Energy

CoP Chat: Cooperative approaches under Article 6 of the Paris Agreement

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Speakers:

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Questions and Answers session

Q1: What type of cook stove types are targeted?

A: Improved cookstoves are targeted but the brand and fuel source has not been identified. The exact nature of the stoves and also other measures supported will be subjected to the further development of the programme and would depend on the final design and scope of the National Clean Energy Access Programme (NCEP) and the allocation of unconditional and conditional measures of Ghana and the safeguards to ensure environmental integrity and sustainable development. There is also the flexibility to explore other viable options in addition to stoves.

Q2: Can you say how double counting is avoided and what procedures and methods are being used or explored?

A: Double counting is addressed at the level of the bilateral agreement between the states. The agreement would provide for the obligation to adjust NDC reporting accordingly for transferred ITMOs. The agreement is at draft stage and no statements regarding procedures or methods can be made yet. Besides the corresponding adjustment, the agreement also anticipates the obligation on avoiding double claiming against Climate Finance and other carbon schemes.

Q3: Does Ghana already have carbon pricing approaches and carbon markets? was this a pre-requisite to the MoU?

A: There are no carbon pricing approaches currently in place in Ghana and this would not be a pre-requisite for the MoU.

Q4: Please elaborate on the ITMO exchange

A: While the modalities for the transfer of the ITMOs between the countries would be governed under the bilateral agreement and eventual domestic laws, the commercial terms for the compensation for transferred ITMOs by the KliK foundation will be settled on a Mitigation Outcome Purchase Agreement (MOPA) under private law (Swiss law or common

law and applicable laws in Ghana). The price structure bases on a pre-agreed price price per tonne of CO₂, but may also contain further result based compensation elements

Q5: What is the status of the (transfer) agreement between Ghana and Switzerland?

A: Please see this [press release](#) for details of the MoU. The countries will start a formal dialogue in which a bilateral agreement would be negotiated based on a first draft.

Q6: For avoiding double counting, how will Ghana allocate emission reductions from each project towards its 15% target and the balance as ITMO?

A: Ghana's NDC has no unconditional renewable energy targets. This means that all of the renewable energy projects are conditional. Please refer to Annex I of [Ghana's NDC](#).

Q7: Can the MoU be made public as a best practice example?

A: The MoU signed on the 28. February 2020 is not public. It confirms the joint commitment to formalise a dialogue which should lead to the signature of a bilateral agreement, to apply corresponding adjustment and to adhere to the "[San Jose Principles](#)". As per standard procedure the bilateral agreement might be made public only upon finalisation and initialling of the text. At draft stage the agreement may be [summarised, as it is done in the case of Peru](#). Interested parties are invited to approach the involved governments for more details. See also the answer to Question 5.

Q8: Are there specific sectors and or technologies being considered under this agreement? And what is the volume of CO₂ offset that is anticipated?

A: The bilateral agreement itself will be agnostic towards mitigation technologies. Some technologies, however, may be excluded on the basis of principles provided for in the agreement on the promotion of sustainable development and environmental integrity. Under the NCEP as the mitigation programme discussed by Ghana and Switzerland renewable energy technologies are in the focus. No exact volume of CO₂ abatement has been established yet. Please see the [press release](#) for more information.

Q9: What were the key success factors for the Swiss-Ghana bilateral cooperation? Please kindly also elaborate on the result-based finance model for the project?

A: Ghana and Switzerland look back on a long-standing relation in economic and cultural terms, Ghana is Switzerland's second most important economic partner after South Africa. UNDP's contact to the KliK foundation and its role in initiating the proposal for NCEP as a candidate for an Article 6 activity was critical in the process. The championing of the cooperative approaches by the Ministry of Environment and Ghana's Environmental Protection Agency was helpful. Without the Ministry of Environment and EPA driving the process and galvanising high-level government buy-in, this would not have been possible. The exact result based financing model is yet to be established in the development phase of NCEP. It is foreseen to establish a structure with a number of commercial agreements with private entities in Ghana and the NCEP, outlining a pre-agreed price for an anticipated amount of CO₂ tonnes reduced through the projects. Once these Mitigation Outcomes/ CO₂ tonnes are verified, they will be purchased from NCEP as ITMOs by KliK. The anticipated revenue stream these payments will bring to the projects, de-risk the investment opportunities that

these renewable energy present, making them more attractive and crowding in private investment.

Q10: Since the rules under Article 6 of the Paris agreement have not been finalised, what methodologies are you deploying to avoid double counting?

A: Major safeguards against double-counting are corresponding adjustment and the exclusion of mitigation outcomes that are already accounted for as Climate Finance or under other carbon schemes. See also answer to Question 2.

Q11: Can you please explain in more detail, how the cooperation helps Ghana to achieve its conditional NDC target?

A: KliK Foundation will purchase ITMOs from Ghana's NCEP, generated through the various renewable energy initiatives. The contract of KliK with NCEP will at some point expire, this will occur before the projects stop delivering mitigation outcomes. Hypothetical example: KliK agrees to buy ITMOs from Ghana for 5 years. All of the renewable energy projects that are able to come online in Ghana as a result of these cooperative approaches/ the results-based payments from KliK will generate mitigation outcomes for, say 10 years. During the first 5 years, all of the mitigation outcomes/ tonnes of CO₂ reduced will be transferred as ITMOs and contribute towards Switzerland's NDC. Once the purchasing agreement expires, the mitigation outcomes generated through the remaining 5 years of the energy projects can contribute to Ghana's conditional NDC target. With the end of the Swiss engagement, the NCEP structure will persist as a running instrument to deliver mitigation at the disposal of the government of Ghana.

Q12: How are ITMOs under the bilateral agreement verified, certified and issued in the sense that CERs are under the CDM?

A: The mitigation activities – the NCEP – requires authorisation according to Article 6.3 by both states. This authorisation and the clearance of ITMO require validation and verification pending on the standards set in the authorisation. This process will adhere to the principles put forward under the CDM, and remain under the responsibility of both countries.

Q13: How has the government engaged the private sector in the implementation e.g. in the transfer of mitigation outcomes, accounting and result based finance?

A: The private sector will be engaged in commercial interactions under the bilateral agreement, that sets the modalities for accounting and transfer of ITMOs. While the bilateral agreement is under the exclusive responsibility of the countries, the KliK foundation is at the Swiss side the private entity engaging with the private sector in commercial agreements. The envisioned NCEP would be the counterparty to the KliK foundation, while the NCEP itself would support and contract private actors to implement the mitigation interventions. The development and implementation of NCEP will be tendered by the KliK foundation in 2020, jointly with the EPA of Ghana.

Q14: Is Ghana also participating in JCM and Korean processes for ITMO transactions?

A: Yes, the Ministry of Energy is in discussions with a Korean Investment but not on the back of ITMOs yet.

Q15: UNDP has been - and will be - supporting Ghana's UNFCCC National Communication & BUR & LEDS work as well as creating a "National MRV system Assessment report of Ghana" (2019). Given the strong double-counting and National Inventory aspects of the Swiss-Ghana ITMO cooperation I wonder how these activities are coordinated/harmonised within UNDP Ghana. If you can shed some light on this aspect that would be appreciated.

A: On all the MRV works as well as the ITMO Cooperation, the CO is directly working with the UNFCCC focal agency (Environmental Protection Agency) who is also the lead Coordinating Agency for the implementation of the Paris Agreement in Ghana. To further ensure harmonization and effective coordination, these activities are under one project board with UNDP as a co-chair.

Q16: How do Klik and Ghana know that these cooperative activities are beyond the unconditional NDC? Is NCEP all part of the conditional goals?

A: Yes, as addressed above, Ghana's NDC stipulates renewable energy activities – the focus of Ghana's National Clean Energy Programme – as conditional NDC targets.

Q17: How easy/difficult it was to obtain endorsement by host country governments in your existing transactions?

A: The endorsement is obtained by the proponent of the activity, the endorsement at that stage is a general nonbinding expression of interest of the government for both the mitigation activity as such and the bilateral dialogue with view on instituting a bilateral agreement. It is not yet the formal authorisation referred to in Article 6.3 of the Paris Agreement. In the case of NCEP the initial proponent was UNDP and the endorsement could be provided on the basis of a solid layer of ground work without difficulties. However, based on the experience with other potential host countries, the initial endorsement tends to be a lengthy process depending on the readiness of the country and the availability of competent decision bodies.

Q18: Do you plan to convert some of your CDM PoAs (Programme of Activities) to ITMOs under the Paris Agreement with Switzerland?

A: Currently, the structure of the NCEP is independent from existing PoA. It, however, could aim at supporting existing PoAs under the bilateral agreement on the experiences of CMEs have gathered for implementing POAs. This would need to re-evaluate the PoAs in the light of any applicability / eligibility criteria under the bilateral agreement.

Q19: What are the main additional requirements in comparison with the CDM?

A: The mitigation activities will need an authorisation as per Article 6.3. This authorisation refers to the cooperative approach, formalised in the bilateral agreement between transferring and acquiring country, in coherence with any provisions in the Paris rulebook. Any requirements flow primarily from the bilateral accord and the authorisation thereunder with respect to standards and principles. While in the absence of an adopted agreement the question therefore cannot be answered in a conclusive manner, there are still some lessons learnt from the discussions. First, the baseline of activities will need to be reconsidered and may be different from those under the CDM. Baseline setting is of high relevance to the countries, e.g. as to minimise overselling and to ensure that the ITMO intervention is not watering down the ambition in the transferring country by crediting elements of the unconditional pledges in the NDC. Second, through the corresponding adjustment, the additionality discussion as we know it under the CDM may look different. This, provided that

the NDC of the transferring country shows a minimum of ambition and does not contain “hot air” (goes beyond business as usual). Hence, in such cases countries may agree on conservative but streamlined ways to additionality prove and go e.g. for sectoral baselines or positive lists.

Q20: How will the government address the difference between its sectoral commitment in the NDC with that of the ITMO. E.g. when the NDC and ITMO have the same boundary in the energy sector. Thus the Government selling away its commitment.

A: As renewable energy activities are clearly defined as part of Ghana’s conditional NDC commitments, there is no overlap with the ITMO projects activities and Ghana’s unconditional pledges to the Paris Agreement. It will be part of the further concretisation of the NCEP to define the scope of the supported measures and to examine if and under which criteria it is ensured, that ITMO crediting pertains to action outside the unconditional NDC.

Q21: How did the lack of guidance from Parties regarding Article 6.2 impact on the proposed bilateral agreement? Could you give some examples.

A: Switzerland made clear, that it considers the current provisions in the Paris Agreement, specifically in paragraph 77 (d) as sufficient ground to continue engaging in bilateral agreements. Mitigation Activities under Article 6 are defined through bilateral negotiations between two governments and therefore the rules are specific to the provisions therein and the scope of the authorisation (see also answer to Question 17). The Article 6.2 provides overarching guidance, and although unfinalized, many provisions may be anticipated. However, the bilateral agreements must concur with any of the forthcoming provisions under the Paris Agreement.

Q22: How is additionality considered, especially in the context of Ghana's long-term mitigation goals? Also, do I understand it correctly that the mitigation outcomes generated are shared between Ghana and Switzerland?

A: As highlighted in previous answers, the NCEP will credit only mitigation outcomes that occur outside of the perimeter of the unconditional part of the NDC. ITMOs hence will be “beyond and above” of Ghana’s NDC and will not compete with its domestic efforts to meet the NDC as laid out in its long term strategies.

Q23: What do you mean that verifications will be based on the Authorization?

A: The authorisation refers to the need for both governments to agree that the proposed projects will actually generate the mitigation outcomes/ ITMOs meet the criteria and requirements outlined in the initial bilateral agreement. To this end, the Authorisation may contain additional provisions with view on the validation (e.g. principles to set the crediting baseline in the specific case) and on the verification (e.g. to capture aspects of human rights and sustainable development).

Q24: How do you foresee the activities ("installation of solar PV systems for commercial consumers, solar lanterns, solar home systems and provision of improved cooking systems nation-wide.") falling under the conditional part of the NDC? Aren't these mainstream (unconditional) NDC areas?

A: All countries have different NDCs. Ghana’s NDC clearly defines renewable energy activities as conditional. Please see above answers for more detail. In the course of the further

concretisation of NCEP the scope of the supported interventions will be determined, by also ensuring they do not compete with Ghana's own action to reach its NDC and do not constitute "low hanging fruits" where crediting would bear the risk of overselling.