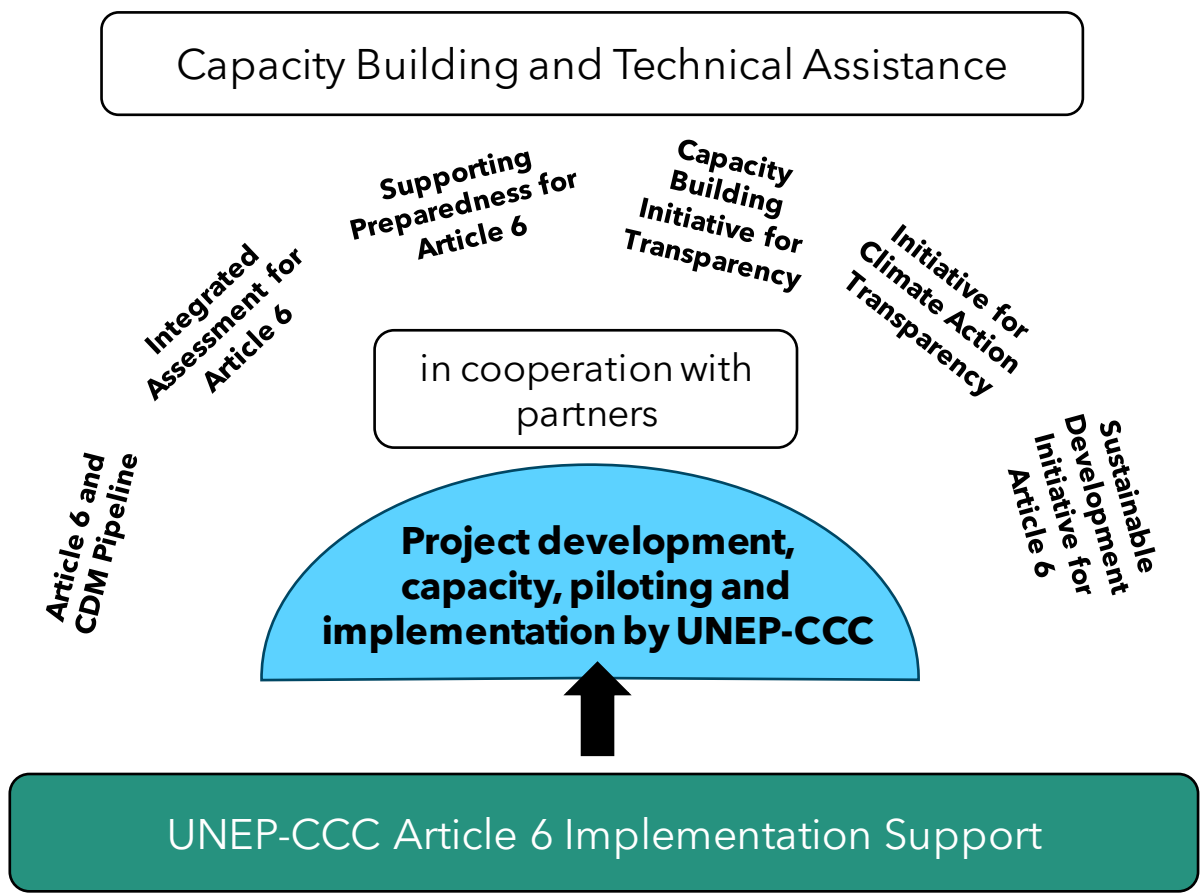
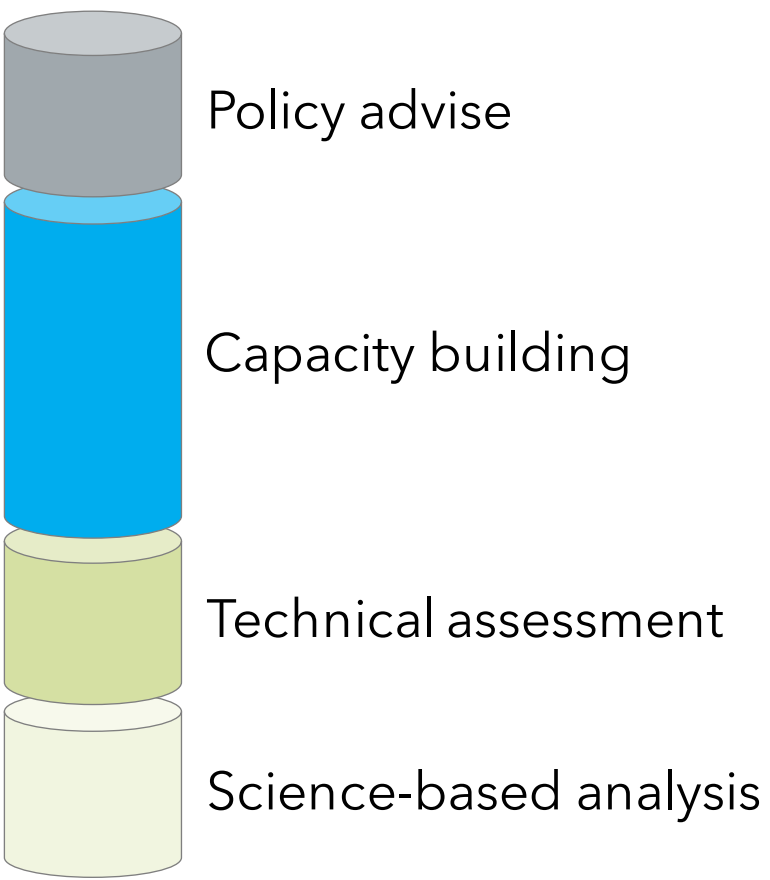


# Enhancing Capacity on Article 6 in the Arab Region

**Seventeenth Regional Training Workshop on Capacity Development  
for Climate Change Negotiations for the Arab Countries  
Kuwait  
13-15 May 2024**

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# Carbon Markets Work



**Outreach:**  
 Regional Climate Weeks,  
 COPs, Technical Workshops,  
 e-Trainings, etc.

# Article 6 of the Paris Agreement

- Through Article 6, the Paris Agreement introduces **market mechanisms (Articles 6.2 and 6.4)** to authorize the generation, transfer or trading of carbon credits
- Meanwhile, **Article 6.8 is a non-market mechanism** which allows for international cooperation between parties with no expectation that credits are traded or transferred

## Article 6.2

- Enables country to country trade of carbon credits through bilateral or multilateral agreements

## Article 6.4

- Enables a centralized carbon market where various organizations – nations, private sector and other entities can register credits from emission reduction projects to be bought and sold

# Participation and Implementation of Article 6 in MENA Region

- Three pillars must be in place to attract participation in Article 6 and to ensure a solid policy foundation by which it can be operationalized;

## Governance

- Addresses institutional requirements

## Financing

- Need to draw financial resources to carbon reduction projects

## Infrastructure

- Establishes the tools and registry required to support ongoing trading

# Governance

*Building on long-standing experience from the CDM Pipeline*

6.2

10 Bilateral  
Agreements

3 Pilot Projects

No Initial Reports

6.4

15 Projects, 4  
Programmes of  
Activities

**Morocco**  
submitted  
Participation  
Requirements (only 2  
Parties in total)

6 DNAs

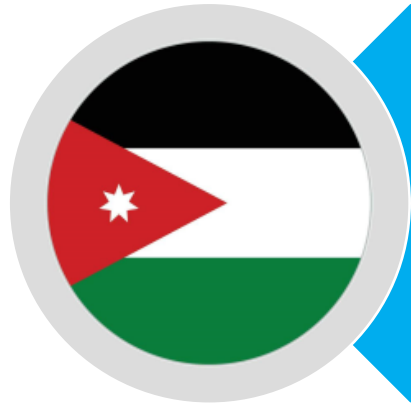
VCM

Various agreements  
(MoU) for  
cooperation with  
private entities -  
both as seller and  
buyer of credits

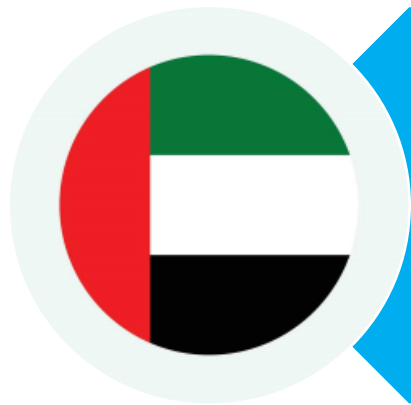
# Financing

- Most Article 6 pilots are structured under the direct purchase approach of ITMOs.
- Two were developed by Morocco with the country's organic waste-to-energy programme and the energy efficiency fund.
- Nevertheless, some new financing opportunities are emerging from the experience of MENA countries with Japan as a bilateral partner.
  - For example, JCM encourages project financing during the first phase of implementation, with funding in the form of grants and loans provided by the Government of Japan, its affiliated organizations and the Asian Development Bank (ADB).
- Through the successful issuance of the Green Bond, Commercial International Bank of Egypt has paved the way for the private sector's transition to a low-carbon economy

# Infrastructure



Jordan made its MRV software available as open source to other countries to help develop the infrastructure needed to operationalize Article 6, in turn promoting the transparency of carbon trading in the region.



UAE's Ministry of Climate Change and Environment has signed a preliminary agreement with the UAE-based Industrial Innovation Group (IIG) and Venom Foundation to establish a national system for carbon credits using blockchain technology.

# Potential for the MENA Region as a Supplier of high-quality Carbon Credits

- If emissions reduction targets are exceeded and renewable projects are eligible, MENA region could generate carbon credits for the Article 6 market
- The region receives 22-26% of all solar energy that hits the planet and has the capacity to supply at least 50% of global electricity consumption
- MENA has doubled its renewable energy capacity in the last decade. Saudi Arabia, the UAE, Israel, Oman, Morocco and Egypt are leading the green energy transition in the region and they are estimated to account for 85% of increases in renewable capacity by 2027



# Additionality Concerns – Article 6

Imagine a wind farm project that reduces emissions by producing renewable energy. To be considered additional:

- The project must show that without the income from selling carbon credits, it wouldn't be built.
- It shouldn't be something required by government regulations.
- It should contribute to emissions reductions that wouldn't happen otherwise.

If the wind farm meets these criteria, it can generate carbon credits that can be sold, providing extra funding to make the project feasible. This ensures that the emissions reductions are real, adding value to the efforts to combat climate change.

# Invest in Breakthrough Technologies

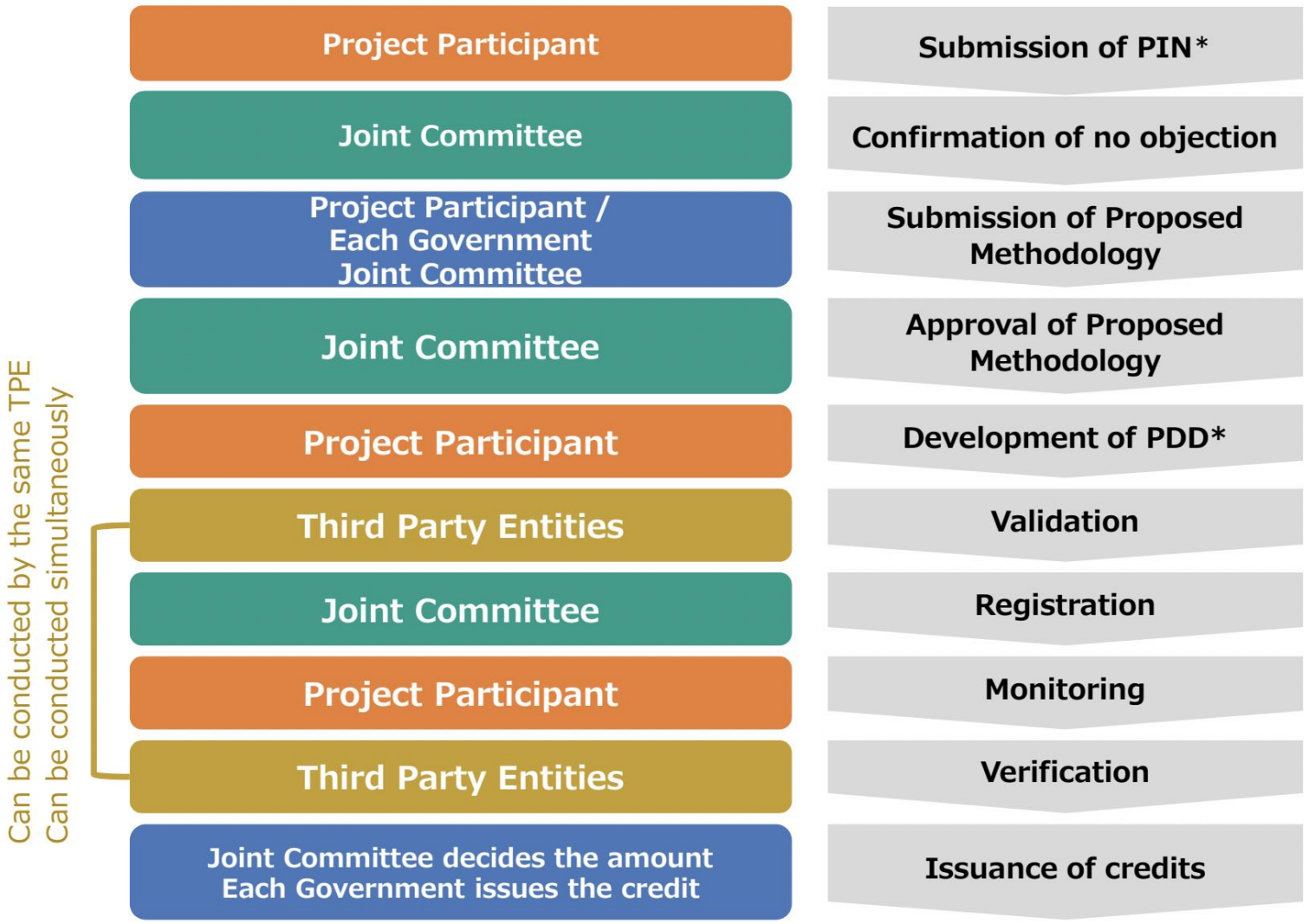
Innovative technologies, such as green hydrogen and carbon capture technologies, are showing potential to help decarbonize heavy industrial sectors of the global economy.

Saudi Arabia, UAE, Oman, Egypt and Morocco are actively exploring green hydrogen opportunities, signing MOU for strategic partnerships and carrying out feasibility studies

Saudi Arabia and the UAE have announced investments in carbon reduction technology, particularly in carbon capture, utilization and storage (CCUS) and direct air capture (DAC).

These breakthrough technologies align with carbon reduction projects that could generate ITMOs and A6.4ERs by avoiding and capturing emissions.

# Project Cycle



# A Pre-payment Model For Internationally Transferred Mitigation Outcomes Under Article 6

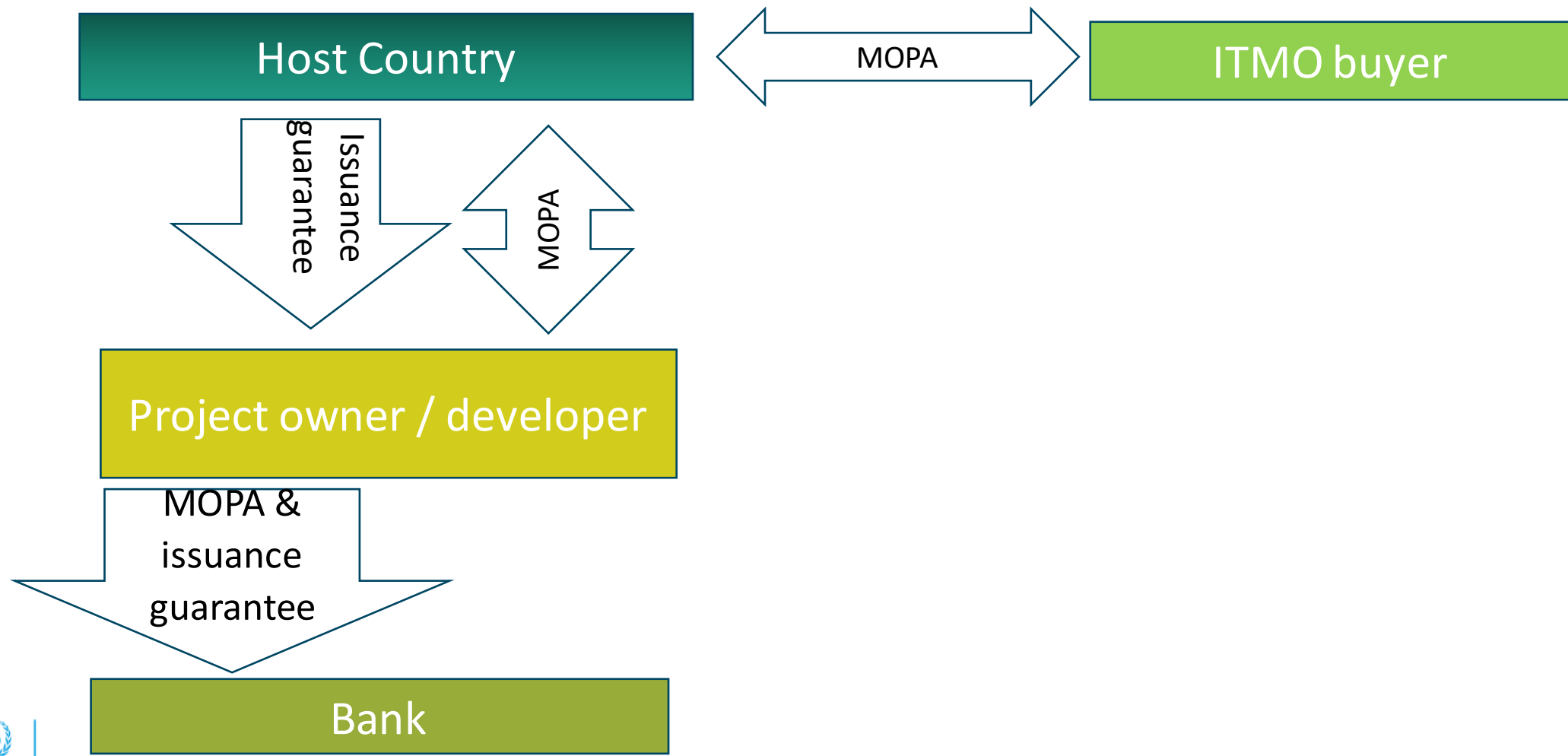
## Bilateral Agreement as the Foundation

- This agreement is the base for any transactions involving ITMOs. It's a formal agreement between two parties. Under this overarching bilateral agreement, multiple project-specific agreements (referred to as MOPAs) can be added.

## ITMO Issuance Guarantee

- With this guarantee in place, the project developer can use the expected future income from these carbon credits (ITMOs) to secure additional financing.

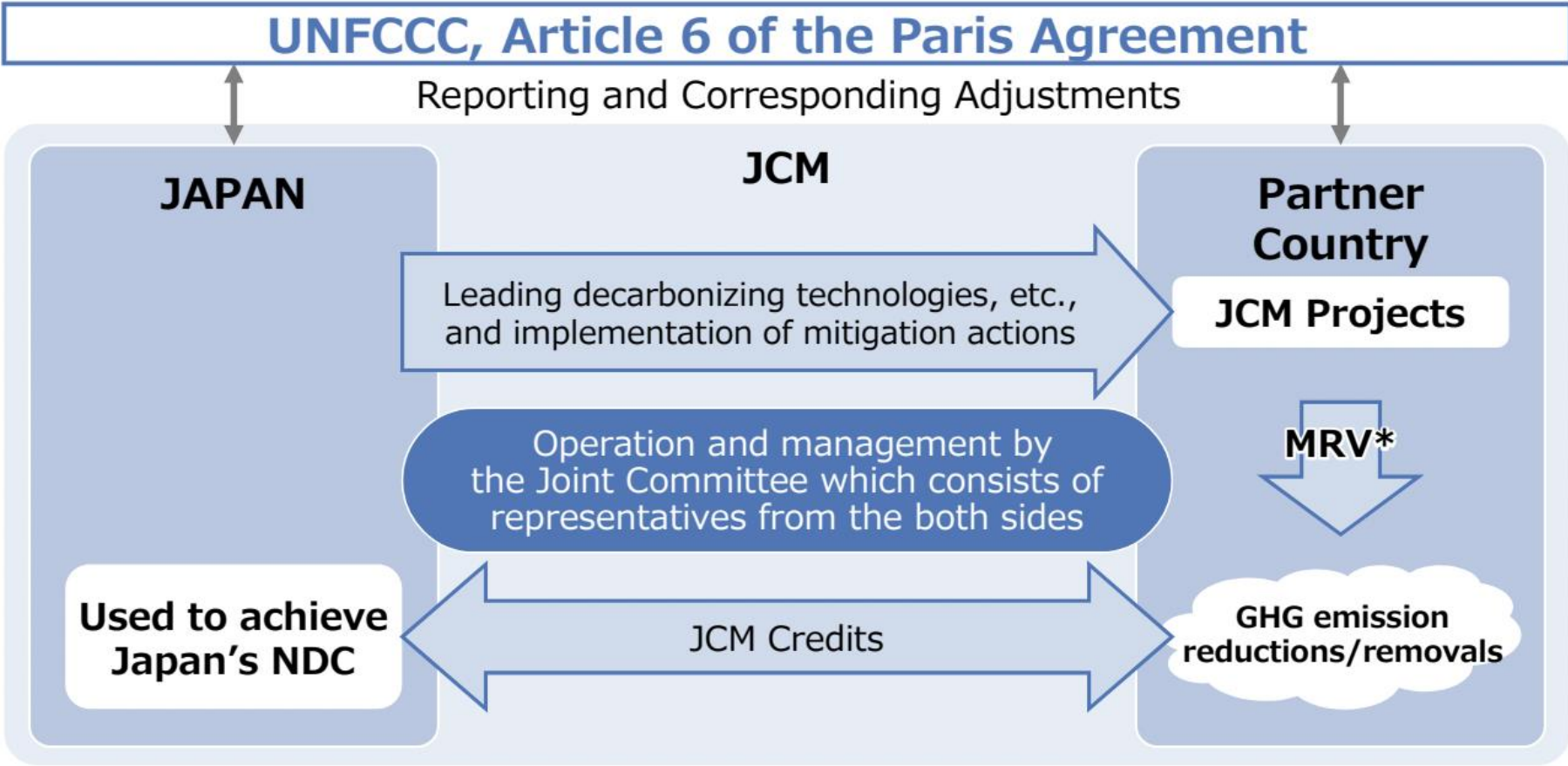
# Model 1: A Pre-payment Model For Internationally Transferred Mitigation Outcomes Under Article 6



# Opportunities in Expanding Article 6 Markets across MENA

- Promoting private sector participation in low-carbon transition
  - Stronger private sector participation could have a considerable impact on closing the regional climate finance gap, estimated at \$186 billion to comply with NDCs.
- Accessing new low-carbon technologies and promoting sustainable development
  - Guidance around Article 6 implementation includes how governments should incorporate the achievement of sustainable development objectives into the Article 6 national framework.

# Basic Concept of JCM/Article 6.2



\*measurement, reporting and verification

# Expanding Article 6 Markets across MENA

Establish a regional Article 6 governance framework with guidelines on how to participate

- For example, Morocco, Tunisia, the UAE and Saudi Arabia might pave the way for other states in MENA.

Evaluate eligible Article 6 carbon reduction activities that align with credible NDC compliance

- Eligibility of Article 6 activities should be based on the capacity of each country to achieve its long-term domestic decarbonization

Enhance the infrastructure needed to implement Article 6 operationalization

- Enhancing a digital transaction infrastructure in the MENA region for Article 6 compliance is key to ensuring transparency and confidence in the carbon market.

Find Synergies b/w Compliance and VCM

- To ensure fungibility between different carbon market segments, it is important to develop a clear and unified legal framework

Strengthen Public Private Partnership

- Public private partnership can be organized to mitigate risk and provide a financial reward out of project development in an Article 6 context



# Article 6 Can be the Turning Point in the Region's Progress Towards Net-Zero

MENA is a highly heterogeneous region with both an urgent need and a great potential for regional cooperation;

Benefits from a broad diversity of capital and a strong commitment to NDCs

Many countries in the region need a large portion of that capital to decarbonize their hard-to abate sectors.

Example of pilot projects by countries, such as Morocco, Saudi Arabia, Tunisia and the United Arab Emirates. But greater implementation of Article 6 could support economic diversification and green growth across the MENA region

# Partnership is the Key to Unlocking Region's Potential for Climate Action under Article 6



Thank you and Please inform if you have any questions!

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