

NDC CONDITIONALITY AND ARTICLE 6

AN ANALYSIS OF AFRICAN COUNTRIES' UPDATED NDCs

By Sandra Greiner, Stephan Hoch, Nicole Krämer,
Sandra Dalfiume, Federico De Lorenzo, Axel Michaelowa

The demarcation between conditional and unconditional targets continues to play an important role in the most recent NDC submissions. In developing countries, the conditional component has often been linked to international support, including through Article 6 carbon markets. However, the UNFCCC does not provide clear guidance on what NDC conditionality means and how to apply it. A lack of conceptual clarity opens space for different applications in NDCs, with potential consequences for access to Article 6 cooperative approaches.

Based on reviewing relevant UNFCCC documents, literature assessing the first set of NDCs, Article 6 buyer documents, and an analysis of the latest African NDC submissions, this short study aims to provide a clearer understanding of how the conditionality of NDC targets may influence Article 6 cooperation. In the absence of international guidance, countries have developed their own interpretation of how to use the carbon market to achieve their updated NDCs. This study proposes a first typology for the link between NDC conditionality and Article 6 carbon markets. However, the study also argues that NDC conditionality alone is an insufficient indicator for Article 6 eligibility. Hence, it recommends undertaking further checks and balances at activity level to ensure environmental integrity. Nevertheless, the study suggests that working towards a shared understanding of NDC conditionality can increase the certainty of expectations in Article 6 cooperation and enhance transparency.



Authors

Sandra Greiner, Stephan Hoch, Nicole Krämer,
Sandra Dalfiume, Federico De Lorenzo, Axel
Michaelowa

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Contact

Stephan Hoch
hoch@perspectives.cc
www.perspectives.cc

Sandra Greiner
s.greiner@climatefocus.com
www.climatefocus.com

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1. INTRODUCTION

When Parties to the Paris Agreement (PA) first submitted their Nationally Determined Contributions (NDC), almost half of them provided two types of targets: an ‘unconditional’ mitigation target as well as a deeper mitigation target that is ‘conditional’ on international support. In the first NDC update, many Parties continue to divide their NDC targets into conditional and unconditional components, thus establishing these concepts as an important NDC feature. While the United Nations Framework Convention on Climate Change (UNFCCC) and the PA do not provide clear guidance on how Parties are to formulate their NDC targets, the unconditional component of an NDC is generally understood by Parties as comprising the targets that a country aims to achieve using its domestic resources, whereas the conditional component comprises targets that are dependent on international support, including finance, technology transfer, and capacity building (ECBI 2020).

The conditional NDC component is particularly significant as it defines the degree of assistance that developing and least developed countries (LDCs) require in order to achieve their full mitigation potential (Pickering et al. 2019). Article 6 market and non-market mechanisms represent a specific form of international support for NDC implementation. Article 6 enables buyer countries to support a specific mitigation activity in a seller country through the international transfer of mitigation outcomes. While Article 6 rules are still to be finalized at COP26 at the end of 2021, countries have already started developing Article 6 activities that contribute to host countries’ NDCs.

Against this background, the key objective of this policy brief is to work towards a clearer understanding of how the conditionality of NDC targets influences Article 6 cooperation. To do so, we start by analyzing the various interpretations of conditionality in the first generation of NDCs as reflected in academic and grey literature as well as Article 6 documentation. We then proceed with case studies to depict an empirical analysis of updated African NDCs and provide an overview of how the conditionality of NDC targets impacts Article 6 cooperation. African countries have had limited success with market mechanisms such as the Clean Development Mechanism (CDM) under the Kyoto Protocol. Given their increased ambition to engage in Article 6, as well as the diversity of their NDCs, African countries present important case studies for understanding NDC conditionality and how it links to Article 6.

2. EXPLORING THE LINKS BETWEEN NDC CONDITIONALITY AND CARBON MARKETS

ORIGIN OF NDC CONDITIONALITY IN THE UNFCCC AND LINK TO ARTICLE 6

The concept of conditionality in NDCs can be traced back to provisions in the original UNFCCC text and other multilateral environmental agreements (MEAs) related to the delivery of technical and financial support to developing countries.¹ Developing countries often have less capacity and resources to deal with climate impacts, whereas developed countries have more financial means as well as the historical responsibility for GHG emissions (Pauw et al. 2020). Particularly relevant here is Article 4 (7) of the UNFCCC, which stresses: “The extent to which developing country Parties will effectively implement their commitments under the Convention will depend on the effective implementation by developed country Parties of their commitments under the Convention related to financial resources and transfer of technology (...)”. The 2009 Copenhagen Accord advanced these discussions by setting the long-term climate finance target of US\$ 100 billion annually by 2020 (Pauw et al. 2020). Since then, climate finance has been a high political priority within the UNFCCC process (Pauw et al. 2020, Weikmans & Roberts 2017).

The Paris Agreement also established various Articles (5, 6, 9) that specify different types of international support for developing countries. Article 9(4), (9) of the PA provides some general guidance on allocating climate finance and capacity building in an equitable fashion, prioritizing LDCs and Small Island Developing States (SIDS) (Pickering et al. 2019). The ongoing UNFCCC negotiations currently do not discuss further guidance on NDC conditionality and its implications, even though it could be addressed in 2024 during the NDC Guidance revision (Pickering et al. 2019).

Carbon finance mobilized through Article 6 carbon markets is a specific type of international climate finance since it has important GHG accounting implications. Mitigation outcomes that are being traded internationally can be counted only to either the targets of the buyer or the seller, but not to both. Still, there is no multilateral guidance regarding the use of Article 6 for achieving conditional or unconditional targets. Hence, it is difficult to establish which activities may be eligible for generating internationally transferred mitigation outcomes (ITMOs) through Article 6 based on their relationship with the NDC. In the absence of clear rules, the study proceeds by assessing interpretations of NDC conditionality relating to carbon markets in literature and actual Article 6 cooperation documentation.

INTERPRETATIONS OF CONDITIONALITY AND IMPACTS ON ARTICLE 6 COOPERATION

In the first generation of NDCs, 78% of developed and developing countries included an explicit conditional component (ECBI 2020), with approximately one third of them relying

¹ Beyond UNFCCC, Articles 18, 20, and 21 of the CBD, articles 4(h), 6, 12, and 20 of the UNCCD, and articles 4(3),(4),(5),(7),(8), and Article 11 (5) of the UNFCCC are examples of how technical and financial support have been included in MEAs.

only on a conditional target (Day et al. 2016). Capacity building was the type of support most mentioned by countries, followed by mitigation finance, technology transfer and adaptation finance (Pauw et al. 2020). Over time, several attempts have been made to classify how conditionality has been applied (Strand 2017, ECBI 2020, Day et al. 2016). Strand (2017), for example, distinguishes two types of conditionality: i) conditional on international financial and/or technical support; and ii) conditional on climate-related policies pursued by other countries. ECBI (2020) and Day et al. (2016) add two further categorizations: iii) conditional on the rules of engagement (i.e. availability of market based approaches to fulfil contribution); and iv) conditional on national circumstances.

Yet, a clearer understanding of how NDC conditionality impacts the use of carbon markets remains elusive. Despite the fact that the UNFCCC recognizes that a conditional element “depends on access to enhanced financial resources, technology transfer and technical cooperation, and capacity-building support; availability of market-based mechanisms; and absorptive capacity of forests and other ecosystems” (UNFCCC 2021, p.59), how that affects access to carbon markets is not clear. References to financial support in NDCs often did not specify the type of support required - i.e. financial transfers, access to carbon markets, or financing low-carbon investments (Strand 2017).

Many countries faced time and resource challenges in preparing their first NDCs, including time constraints to receive parliamentary approval for unconditional measures that went beyond existing legislations or targets. Other countries faced a lack of information regarding potential mitigation options and their true costs, which prevented the possibility to have sound back-up information to obtain approval from decision-makers (Day et al. 2016). Compared to the first NDCs, the number of unconditional targets communicated in NDC updates increased by an estimate of 5% (UNFCCC 2021)

In the absence of clear guidance, countries have developed their own interpretations of how they plan to use carbon markets to achieve their updated NDC targets. According to the latest UNFCCC synthesis report, “almost all Parties provided information relating to voluntary cooperation. Most of them, more than double compared with the previous NDCs, communicated that they plan to or will possibly use voluntary cooperation in at least one of its scopes in implementing their NDCs (...) by directly or indirectly referring to the scopes in their NDCs (...)” (UNFCCC 2021, p. 15). Moreover, some Parties “communicated the use of voluntary cooperation as a condition for achieving their mitigation targets” (UNFCCC 2021, p. 15). In some of the updated NDCs, Parties have also begun to define their anticipated use of voluntary cooperation, for instance through “using units that adhere to standards and guidelines to ensure additionality, permanence or avoidance of double-counting of emission reductions” (UNFCCC 2021, p.16).

Correspondingly, the first Article 6 piloting efforts also give some hints as to how NDC conditionality may impact Article 6 participation, in particular through conditions defined in the most advanced Article 6 initiatives sourcing ITMOs. Recent documentation from ITMO procurement programs reveal that buyer countries have a clear preference to only obtain mitigation outcomes from the conditional components of host countries’ NDCs, based on the assumption that unconditional elements would be achieved with domestic resources. The Swiss

Foundation for Climate Protection and Carbon Offsets (Klik Foundation), for example, requires mitigation actions to be covered by NDCs, but also to be additional to the unconditional NDCs and to the business as usual (BAU) emissions scenarios (Klik Foundation 2020). The Swedish Energy Agency (SEA) also aims to finance activities that are additional to unconditional NDC targets (SEA 2020). Similarly, the German Future of the Carbon Market foundation requires that eligible programmatic mitigation activities "contribute to raising ambition as compared to the Implementing Country's NDC and are additional to targets set in the unconditional part of the NDC" (The Foundation 2020, p.4). Finally, the World Bank's Transformative Carbon Asset Facility (TCAF) uses the unconditional target for a projection of the country's target emissions trajectory, and compares it with a BAU emissions trajectory calculated by TCAF. Whichever trajectory produces the lower volume of emissions is taken as the baseline (TCAF 2020).

3. USE OF CONDITIONALITY AND ARTICLE 6 IN UPDATED AFRICAN NDCs

As described above, the use of conditionality has thus far been interpreted differently, and the concept continues to evolve as more Parties update their NDCs. African countries have been significantly increasing their participation in Article 6 cooperative approaches compared to the early days of the CDM² Given this strong interest in international carbon markets, as well as the diversity of African NDCs, the following section presents case studies of updated African NDCs in order to reveal their interpretation of NDC conditionality and its linkages to Article 6.³ Until late April 2021, six African countries submitted an NDC update to the UNFCCC: Cabo Verde, Kenya, Rwanda and Senegal submitted an updated NDC, whereas Ethiopia and Zambia submitted an NDC update summary and a provisional revised and updated NDC, respectively. While in the following we focus on a description of these individual case studies, a summary table with key parameters is presented in the annex for ease of reference.

CASE STUDIES: CONDITIONALITY AND ARTICLE 6 IN UPDATED AFRICAN NDCs

The six African case studies analyzed in this brief can be grouped into four categories with respect to their interpretation of NDC conditionality and Article 6:

Case Study 1: Zambia	Case Study 2: Rwanda & Senegal	Case Study 3: Ethiopia & Cabo Verde	Case Study 4: Kenya
A fully conditional mitigation pledge	Use of Art. 6 for both unconditional and conditional elements	International carbon markets exclusively in support of conditional targets	Conditionality based on implementation costs

² See, for example, the [West African Alliance on Carbon Markets and Climate Finance](#) and the [Eastern Africa Alliance on Carbon Markets and Climate Finance](#).

³ So far, four African countries – Cabo Verde, Kenya, Rwanda, and Senegal – have submitted an updated NDC. In addition, two African countries have submitted a provisional policy document: Ethiopia has submitted an NDC update summary, while Zambia has submitted a provisional revised and updated NDC. While the submission of their final updated NDCs is pending, these provisional documents can already give some indication of how conditionality will be addressed by the two countries in the final updated NDCs. More African countries are expected to submit their NDCs in the coming months.

CASE STUDY 1: ZAMBIA - A FULLY CONDITIONAL MITIGATION PLEDGE

Zambia submitted a 'provisional revised and updated NDC' in December 2020. The final updated NDC is meant to be submitted in the first quarter of 2021. The provisional NDC is said to be indicative of the country's approach to the revision process (Government of Zambia 2020).

Although the NDC does not offer a definition of conditionality, the country's mitigation target is fully conditional on international support. The provisional NDC outlines two different mitigation scenarios that are based on the amount of international support that will be made available to the country – limited support for the low mitigation scenario or substantial support for the high mitigation scenario. The GHG reduction target for the limited-support scenario is 25% compared to 2010 levels by 2030, which increases to 47% with substantial international support. A quantification of the international support is not provided at this stage, nor is it clarified what international support entails. This means that the country de facto offers two conditional NDC targets without a clear specification of unconditional or domestic contributions.

Finally, the country intends to use voluntary cooperation under Article 6 and “does not rule out the possibility of using market-based mechanisms in meeting [its] emission reduction target” (Government of Zambia 2020, p.14). From the perspective of the NDC, the full conditionality of Zambia's NDC targets suggest that the entire NDC could be eligible for international carbon markets, although it is clear that further activity level additionality tests and activity cycle due diligence (e.g. on baselines) remain important in order to preserve the environmental integrity of ITMO transfers.

CASE STUDY 2: RWANDA AND SENEGAL – USE OF ARTICLE 6 FOR BOTH UNCONDITIONAL AND CONDITIONAL ELEMENTS

Rwanda

Rwanda submitted its updated NDC already in May 2020. The country made an unconditional mitigation pledge to reduce GHG emissions by 16% against BAU by 2030, while the conditional pledge could result in an additional reduction of 22% against BAU. Rwanda provides a clear definition of conditionality. Conditional mitigation measures are activities that can be implemented “only conditional upon the availability of international support (including funding and other types of support from donors, climate finance and potentially carbon markets) (Government of Rwanda 2020, p.33).” Article 6 is therefore expected to support only conditional mitigation efforts. Conversely, unconditional measures are meant to be implemented through domestic efforts alone.

Rwanda demarcates conditionality at the activity level. All mitigation and adaptation measures planned in the country's updated NDC are quantified and categorized as either unconditional or conditional. This translates into the country committing to domestically finance around 40% of the total NDC implementation costs, while conditional measures will account for circa 60% of mitigation and adaptation costs. For example, grid-connected hydropower generation

has been included as an unconditional measure, whereas solar mini-grids are conditional. For both cases, the funding required for the period 2015-2030 has been included, as well as the linkages with adaptation benefits and alignment with the Sustainable Development Goals (SDGs). However, it is worth noting that Rwanda categorizes some activity types as unconditional even though they have been important elements in Rwanda's carbon market portfolio, in particular clean cooking and Article 6 preparations under the Standardized Crediting Framework (WB 2020). Therefore, it is not clear yet whether Rwanda actually plans to fully exclude unconditional activities from accessing international carbon markets, or whether an activity level additionality demonstration may also allow ITMO exports from selected activities in the unconditional categories as long as they meet all Article 6 requirements, including corresponding adjustments (EAA 2021).

Senegal

Senegal has adopted a similar approach to conditionality. The country submitted an updated NDC in December 2020, which sets unconditional emission reduction targets of 5% and 7% against BAU by 2025 and by 2030 respectively. These targets could increase to 23% and 29% respectively in the conditional contribution. Senegal's updated NDC also includes a clear definition of conditionality. The unconditional contribution consists of activities that will be carried out by national means (e.g. state, local authorities, private sector, NGOs), while the conditional contribution will be achieved with the support of the international community. As such, mitigation measures are classified as either unconditional or conditional in almost all sectors and sub-sectors covered by the NDC.

International support encompasses "substantial funding, facilitation of the transfer of environmentally sound technologies and strengthening of [Senegal's] institutional and human capacities in the field of climate change" (Government of Senegal 2020, p.3). While the amount of technology transfers and capacity building to be provided by the international community is not quantified, financial support is. The estimated financial needs for NDC implementation are clearly differentiated between unconditional and conditional, both for mitigation and adaptation contributions. Out of 8.7 billion USD intended to finance mitigation measures, for example, 3.4 billion USD are unconditional while 5.3 billion USD are conditional. Article 6 carbon markets are expected to contribute to this resource mobilization.

The updated NDC also identifies complementarity between the unconditional contribution of the NDC and previous national policy commitments, thus ensuring its implementation. According to the NDC, the implementation of the 'climate' projects of the Priority Action Plan of the National Development Plan (Plan Sénégal Émergent 2) will allow Senegal to fulfil its unconditional commitments.

Finally, Senegal's NDC explicitly links the use of market mechanisms to achieving conditional mitigation targets. It affirms that while "Senegal's NDC contains a wide range of mitigation activities [...] conditional targets could be met through market mechanisms. An appropriate emission reduction sharing arrangement between Senegal and partner countries should be considered (Government of Senegal 2020, p.3)." However, ongoing CDM activities with active

crediting periods valid until the NDC implementation period in 2021 have also been categorized as unconditional in the updated NDC. This could be an indication that Senegal also plans to sell mitigation outcomes from the unconditional component of its NDC, subject to an eligibility test at the activity level and corresponding adjustments. Interestingly, carbon finance raised through market mechanism is meant to contribute to financing adaptation through a share of proceeds.

CASE STUDY 3: ETHIOPIA AND CABO VERDE – INTERNATIONAL CARBON MARKETS EXCLUSIVELY IN SUPPORT OF CONDITIONAL TARGETS

Ethiopia

Ethiopia has thus far submitted a summary of its NDC update in order to comply with the UNFCCC expectation to receive updates by the end of 2020. A final and more detailed NDC update will be disclosed during 2021. While the first NDC stated clearly a domestic contribution, this was not quantified. The NDC update summary provides a clear demarcation and insights into how conditionality has been interpreted and applied by the Ethiopian government. It indicates an unconditional mitigation pledge to reduce GHG emissions by 14.5% against BAU by 2030, which could increase to 64.6%, including both unconditional and conditional elements. Each of the sectors covered by the NDC include unconditional and conditional mitigation targets at the sectoral level.

Conditionality is clearly linked not only to financial but also to other types of support. The NDC summary states that Ethiopia is committed to finance the costs of the unconditional mitigation and adaptation contributions, with the remaining share being conditional upon international support, including from carbon markets. The NDC summary also describes that Ethiopia has developed a structured approach to conditionality. Almost all mitigation actions are sector-wide and programmatic, and comprise both domestic as well as international investments. The NDC summary affirms that the government commits its own resources to implement these NDC targets, even though no measure is entirely unconditional with the explicit objective “to preserve eligibility for international support from international climate finance and other means of implementation” (Government of Ethiopia 2020, p.6) which includes carbon markets.

This approach reflects “Ethiopia’s marginal historical responsibility, LDC status, domestic resource availability, and sustainable development priorities (Government of Ethiopia 2020, p.6)”, and the demarcation has been applied to each mitigation intervention, except those with a low probability of implementation without international support. These measures were therefore assigned a lower share of the unconditional contribution, resulting in an overall level of conditionality that is higher than the general benchmark of 80%. Finally, the NDC summary clarifies that the conditional contribution should not be understood as sequential to the unconditional contribution, but the two should be viewed “as an overall goal to be achieved by 2030” (Government of Ethiopia 2020, p.7).

Finally, Ethiopia’s NDC summary portrays conditionality as an enabler of enhanced mitigation ambition. It states that “demarcating conditional and unconditional contributions demonstrate

a meaningful domestic contribution that represent an increase in ambition to the previously submitted version of the first NDC without excluding actions from international support” (Government of Ethiopia 2020, p.6). The Ethiopian understanding of conditionality, therefore, demonstrates a clear domestic contribution that will not be eligible for ITMO exports, while it leaves flexibility regarding which specific activities can be supported by Article 6. However, this approach also clearly requires demonstrating eligibility at activity level as well as sectoral accounting in order to ensure the unconditional contribution.

Cabo Verde

Cabo Verde submitted an updated NDC in April 2021. The country pledges to unconditionally reduce GHG emissions by 18% below BAU by 2030. This target could increase to 24% “conditional on adequate international support” (Government of Cabo Verde 2021, p.16). While total NDC implementation costs amount to 2 billion EUR (1 billion EUR being earmarked for mitigation and 1 billion EUR for adaptation), an assessment of the different shares of unconditional and conditional financial contributions has not been made available yet but will only be included in the NDC Implementation Roadmap.

The approach to conditionality adopted by Cabo Verde is similar to that adopted by Ethiopia. A demarcation between unconditional and conditional contribution has been applied to single measures, as mitigation measures in the energy and transport sectors include both an unconditional and conditional component. Only the conditional component of these measures will be eligible for the provision of carbon finance through Article 6, as the NDC draws a link between conditional targets and market mechanisms. The use of cooperation under Article 6.2 and 6.4 is envisaged to meet “the targets marked in [the] NDC update as conditional on adequate international support” (Government of Cabo Verde 2021, p. 54).

CASE STUDY 4: KENYA - CONDITIONALITY BASED ON IMPLEMENTATION COSTS

Kenya submitted its updated NDC in December 2020, which pledges to reduce GHG emissions by 32% compared to BAU by 2030. While its first NDC was fully conditional on international support, the updated NDC differentiates between an unconditional and a conditional pledge. However, conditionality is assessed in relation to the NDC implementation costs and not demarcated at the activity level or quantified in terms of mitigation targets. 21% of the mitigation costs will be borne by the country, while 79% of the costs will be “subject to international support in the form of finance, technology development and transfer, and capacity building” (Government of Kenya 2020, p.8).

Out of the total NDC implementation budget, which amounts to 62 Billion USD, Kenya commits to fund 13% using domestic resources, while international support will be required for 87% of the budget. Kenya also specifies that it intends to make use of Article 6 mechanisms “in the event that [the country’s] enhanced NDC target is exceeded” (Government of Kenya 2020, p.9). However, it is not clear whether this refers to the unconditional or the conditional target. Moreover, since Kenya applies conditionality only to costs but not interventions or quantified mitigation targets, the link to Article 6 is not straightforward.

TOWARDS A TYPOLOGY OF NDC CONDITIONALITY FOR CARBON MARKETS

The case study analysis reveals that NDC updates still do not offer a clear distinction between conditional and unconditional NDC targets, and that national interpretations of conditionality vary. In updated African NDCs, all conditional targets expect a provision of international financial and technical support. Yet, some countries clearly differ from the understanding to implement unconditional targets exclusively with domestic resources and conditional targets with international support (Rwanda, Senegal), while others follow this logic (Zambia, Ethiopia, Cabo Verde). Kenya does not use the term conditionality to qualify its mitigation pledges, although a part of its NDC will be supported with domestic sources. The lack of reference between conditionality and 'collective ambition' may be attributed to the low-income country status of most analysed NDC updates. In the first set of NDCs, this conditionality was mainly raised by developed nations.

The small number of updated African NDCs reviewed in this paper may not allow to generalize further, however, the analysis still allows to propose a first typology of how the conditionality of NDC targets relates to Article 6:

- 1. Full conditionality:** NDC targets remain fully conditional (Zambia). This approach can only be justified in the context of LDCs. The eligibility of potential Article 6 activities to qualify for ITMOs is also contingent on activity level eligibility tests.
- 2. Clear demarcation:** Unconditional NDC targets are achieved exclusively with domestic resources and will not lead to international ITMO transactions. Only conditional NDC elements generate ITMOs, contingent on additionality tests at activity level (Ethiopia, Cabo Verde).
- 3. Dual approach:** Both unconditional and conditional NDC elements may generate ITMO transfers, contingent on activity level eligibility tests (Rwanda and Senegal).
- 4. Conditionality of investments:** Conditionality is only applied to costs, but not mitigation activities (Kenya). This also requires activity level eligibility tests.

While this typology may need to be updated as further NDC updates become available, different applications of how the concept of conditionality is applied in updated NDCs can be identified, even though this is typically not explicitly described in NDC submissions.

4. CONCLUSION: NDC CONDITIONALITY IS AN IMPORTANT, BUT INSUFFICIENT REFERENCE POINT FOR ARTICLE 6

These findings raise the question whether the definition of unconditional elements in a country's NDC has consequences for Article 6 eligibility and may preclude countries from participation in cooperative approaches for certain measures, technologies or sectors. Article 6 buyers tend to think that only mitigation activities pertaining to conditional NDC components or going beyond conditional targets are suitable for Article 6 cooperation (see section 2 above).

This does not necessarily align with the application of conditionality in updated African NDCs. For example, Rwanda and Senegal's updated NDC reveal interpretations of conditionality that blur the clear distinction between unconditional elements fully financed domestically, and conditional elements receiving international support. One reason is that countries might classify ongoing CDM activities as unconditional contributions as these are already being implemented while still relying on carbon finance for their continuation.

The differences across countries seem unavoidable in the absence of clear UNFCCC guidance on the meaning of NDC conditionality. Due to this lack of clarity, such different interpretations across countries should not immediately limit their space for Article 6 cooperation. As the definition of unconditional and conditional targets is nationally determined, it would seem natural that countries also have the prerogative to decide which measures should participate in Article 6. It would not be fair if countries that picked a flexible definition of conditionality would be able to keep all options open whereas those that provided detailed unconditional measures in their NDC would be generally precluded from Article 6. In some instances, the impact of qualifying measures as unconditional for the use of market mechanisms may not always have been fully anticipated, particularly if the qualification dates back to countries' intended NDCs that were submitted even before the adoption of the Paris Agreement itself. In fact, it may only be at the stage of countries preparing their NDC implementation plans that they fully come to understand the amount of resources needed for realizing their NDC ambition.

Still, preserving the environmental integrity of Article 6 is crucial. Therefore, flexibility should not be confused with an 'anything goes' approach. At first glance, enabling the use of Article 6 for unconditional NDC targets seems to contradict the idea to achieve such measures without international support. However, in light of the absence of clear rules and Parties' sovereign right to define 'nationally determined' targets and conditions, solutions may need to be found that ensure that Article 6 cooperation contributes to strengthening NDC ambition. This means striking a balance between the willingness to increase the country's mitigation ambition and the need not to preclude international support if this can be justified at activity level.

As a result, this paper argues that the concept of NDC conditionality alone is an insufficient indicator for Article 6 eligibility. More important and meaningful are activity level baselines and additionality testing that take into the NDCs, but also additional sector policies, targets and data. Moreover, if the country is willing to make corresponding adjustments for the transferred mitigation outcomes, this will ensure environmental integrity. Still, Article 6 cooperation should aim at mobilizing the 'higher hanging fruit', even though countries may choose to cooperate on opportunities with lower abatement costs and charge 'NDC opportunity costs' for the transfer of ITMOs (TCAF 2021).

Although activity level checks and balances seem to present a solution to deal with these challenges, a clearer understanding of the relationship between NDC conditionality and an Article 6 activity is important to provide certainty of expectations by both buyers and sellers in Article 6 cooperation. This brings into play questions related to further work that is necessary to build a shared understanding of the relationship between NDC conditionality and Article 6

cooperation. What does it mean if a measure is either defined as unconditional or conditional? What impact does an ITMO export have on achieving unconditional or conditional targets?

Many fundamental questions are still open in this regard, including the question how countries will report on their conditional NDC targets towards the UNFCCC. Transferring ITMOs does not automatically lead to failing to achieve a conditional NDC target as long as any ITMO transfer is transparently accounting for in the Parties' annual emissions balance reported to the UNFCCC. At this stage, the guidelines for common reporting tables and structured summary reports on the progress of NDC implementation do not specify how Parties should present their achievements in terms of unconditional and conditional targets. Clarifying this would allow for greater transparency in the use of ITMOs in achieving unconditional and conditional targets and be more important for carbon finance than for other forms of international support given the need to avoid double counting.

As a tentative conclusion, it emerges that NDC conditionality can merely serve as a first orientation on whether a specific activity may be able to access Article 6. As result of this plurality of approaches and interpretations, other checks and balances need to be applied at activity level to establish Article 6 eligibility. The challenge is finding the right balance between ambition and political feasibility as well as the broader vision that the use of carbon markets should enhance and not undermine mitigation ambition.

The limited number of updated NDCs analyzed for this policy brief may not allow to generalize the results to a broader regional or global context. Therefore, the study does not aim at generating recommendations for clearer guidance on how NDC conditionality affects Article 6 cooperation. Still, we hope to have shed light on the need to work towards a shared understanding of NDC conditionality as an important step to operationalize Article 6 carbon markets.

5. ANNEX: SUMMARY TABLE OF CONDITIONAL AND UNCONDITIONAL ELEMENTS IN UPDATED AFRICAN NDCs

Conditionality Parameters	CABO VERDE	ETHIOPIA	KENYA	RWANDA	SENEGAL	ZAMBIA
Unconditional mitigation contribution	GHG reduction of 18% against BAU by 2030	20% of mitigation costs Results in GHG reduction of 14.5% against BAU in 2030	21% of mitigation costs	40% of mitigation costs GHG reduction of 16% against BAU in 2030 (1.9 million tCO ₂)	3.4 billion USD GHG reduction of 5% and 7% against BAU by 2025 and by 2030	No
	Additional GHG reduction of 6% against BAU by 2030	80% of mitigation costs Results in additional GHG reduction of 50.1% (combined and unconditional) against BAU in 2030	79% of mitigation costs	60% of mitigation costs Additional GHG reduction of 22% against BAU in 2030 (2.7 million tCO ₂)	5.3 billion USD Additional GHG reduction of 18% and 22% against BAU by 2025 and by 2030	GHG reduction of 25% (at BAU levels of international support prevailing in 2015) and towards 47% (with substantial international support) compared to 2010 levels by 2030
Unconditional adaptation contribution	Not specified (total costs amount to 1 billion EUR)	20% of adaptation costs	10% of adaptation costs	40% of adaptation costs	1.4 billion USD	Not specified
Conditional adaptation contribution	Not specified (total costs amount to 1 billion EUR)	80% of adaptation costs	90% of adaptation costs	60% of adaptation costs	2.9 billion USD	Not specified

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