This white paper reflects the outcomes of the opening of the formal dialogue between the government of Peru and Switzerland, held in Lima the 30-31 of October 2018.

1. **Purpose**: Identify the elements needed to participate in cooperative approaches under article 6 of the Paris Agreement.

2. **Benefits of the implementation of cooperative approaches**:  

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<th>Peru</th>
<th>Switzerland</th>
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| • Increasing ambition beyond the NDC  
• Removing barriers /development of enabling conditions.  
• Promoting activities that contribute to sustainable development.  
• Promoting and strengthening private climate action.  
• Generating capacity building in both public and private sector.  
• Promoting technological innovation | • Increasing ambition in the NDC while respecting cost-efficiency in domestic measures (long transformation periods for remaining mitigation potential).  
• Promoting sustainable development. |

3. **Elements to participate in cooperative approaches under the Art.6 of the Paris Agreement:**

A. **Structure and contents of the bilateral agreement under Art.6 of the Paris Agreement between Peru and Switzerland.**

The bilateral agreement between Peru and Switzerland will include the provisions about the principles and rules for mitigation outcome transfer.

Peru and Switzerland agreed on the following elements:

a. Objective(s) / references / coherence with international rules

b. Principles for defining ITMO creation from each activity under the agreement (baseline setting)

c. Commitment to transfer ITMOs
   i. Baseline from which ITMOs may be created from a specific mitigation activity.  
   *Note: it should be clear that the intervention is not preventing the implementation of the Peruvian NDC and is additional to the BAU. There should be no double counting with international climate finance.*
   ii. Description of each specific mitigation activity in annex of agreement / authorization of the specific mitigation activity for ITMO transfer
   iii. Pending / conditional on commercial agreement between seller and buyer
d. Defining ways to reflect ITMO transfers under Paris Agreement (annually, biennially and in relation to NDC achievement – i.e. corresponding adjustment)

**Note 1:** there was consensus that both parties have to do corresponding adjustments by taking into consideration the single year target nature of the NDCs (Peru\(^1\) and Switzerland\(^2\)).

A basic formula is envisaged: total amount of transfers over the period 2021-30 divided by \(x\) years. Further discussion is needed in order to define \(x\).

**Note 2:** For a multi-year NDC (Switzerland\(^2\)), the total amount of transfers over the period 2021-30 will be considered

**Note 3:** transfers will be reported under the Paris Agreement, under Art. 13 of the Paris Agreement referring to the enhanced transparency framework, including in relation to NDC achievement.

e. Complementarity of each specific mitigation activity to NDC of transferring country and international climate finance of acquiring country.

f. Creation and transfer of ITMOs (roles, modalities and procedures for creation, transfer and tracking system)

g. Authorization of ITMOs (steps and timing, roles and modalities)

i. Authorization of specific mitigation activity under the bilateral agreement

ii. Authorization of creation and transfer of ITMOs

h. Relevant aspects for ensuring environmental integrity of the cooperation

i. Relevant aspects to promote sustainable development of the cooperation

j. Monitoring, verification and publication of documentation (roles, modalities and procedures)

**Note 1:** it is required to define a procedure to: a) approve locally tailored methodologies, b) approve independent auditors and c) approve the verification report.

k. Institutional arrangements for operationalization of agreement

i. committee (membership, first meeting, rules of procedure)

ii. functions of the committee (operational decisions such as acceptance of verifiers; preparation of any amendments to the agreement; any issue arising from the cooperation)

l. Amendments / settlement of disputes / termination clauses / withdrawal

m. Life span of agreement

In addition, both countries agreed to follow the international \{rules/guidelines\} adopted under the UNFCCC.

It is foreseen that this document includes **Annexes**, one for each specific mitigation activity. Each annex will include activity-specific elements, such as: a) scope (geographic, gases, installation, and time framework), b) Crediting period c) Foreseen total amounts of emission reductions to be transferred d) technology, e) specific base line methodology and MRV, f) type of participants, g) identification of the seller, h) business model, etc.

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1 Reduction of emissions equivalent to 30% in relation to the Greenhouse Gas (GHG) emissions of the projected Business as Usual scenario (BaU) in 2030. The Peruvian State considers that a 20% reduction will be implemented through domestic investment and expenses, from public and private resources (non-conditional proposal), and the remaining 10% is subject to the availability of international financing and the existence of favorable conditions (conditional proposal).

2 80 percent reduction by 2030 compared to 1990 levels.

3 For further information on NDCs see http://www4.unfccc.int/ndcregistry/Pages/All.aspx

4 35 percent reduction over 2021-30 compared to 1990 levels.
It is foreseen that additional annexes may be added to the bilateral agreement to include other specific mitigation activities or provisions.

The legal form of the bilateral agreement is to be defined.

**B. Commercial Agreement**

The commercial agreement between a seller and a buyer must be framed under the principles and rules of the bilateral agreement between Peru and Switzerland.

**C. Establishing national enabling conditions to be ready for participating in a bilateral agreement under Article 6 of the Paris Agreement between Peru and Switzerland.**

This refers to the national institutional arrangements, procedures and infrastructure necessary to implement the bilateral agreement, including: a) the creation of mitigation outcomes and b) the approval and accounting of transfers.

Peru is currently developing the national registry for mitigation actions, including the procedure to make it operational. Both are being included within the bylaw of the regulations of the Climate Change Framework Law.

Switzerland is currently revising its CO₂ Act and regulation. The necessary institutional arrangements are mostly in place as part of the current Act.

4. **A pilot is currently in operation to gain experience in designing a specific mitigation activity**

A pilot of a programme (“Tukiwasi”) for the promotion of improved cook stoves is being implemented to generate concrete experiences with the design and implementation of a possible collaborative arrangement between Peru and Switzerland under Article 6 of the Paris Agreement. To this end, the company Microsol has been mandated by the Climate Cent Foundation to devise and implement a preparatory phase from 2018 through 2020. The programme’s main features are its focus on engaging with stove manufacturers in a competitive selection process, the use of standardization where appropriate and eventually the utilization of a pre-funding facility to allow for an improved scale up of the activity. The pilot is to serve the establishment and authorization of the final design of the Tukiwasi programme as an activity under the bilateral agreement on Article 6 cooperation (Paris Agreement), in collaboration with the Governments of Peru and Switzerland and the relevant stakeholders.

Currently, the Tukiwasi programme is foreseen to be implemented from 2021 for the duration of one crediting period. The programme’s scope, the technology to be used, base line methodology and MRV, as well as identification of the seller and the business model are currently reviewed and determined in the preparatory phase.

The Tukiwasi programme will be designed to complement the already ongoing efforts of the Government of Peru in relation to access to clean energy for households, which also entails the use of improved cook stoves, implemented by the agency FONCODES under the ministry of social inclusion.

5. **Workstreams**

i. Workstream on the bilateral agreement
ii. Workstream on the clean cook stove pilot (including participation of MICROSOl and CCF)
iii. Workstream on enabling conditions

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*The experience from ERPA can be taken into account.*
6. Road map

**Workstream: Bilateral Agreement**

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<th>Nº</th>
<th>ACTIVITY</th>
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**Workstream: Cook stove pilot**

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<td>- Elaborate a plan to define the scope of the pilot</td>
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<td>- Further meetings to be decided</td>
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