

ARTICLE 6 OF THE PARIS AGREEMENT

Establishment of the Southern Africa Alliance on Carbon Markets and Climate Finance

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CONTEXT

Cooperative approaches

Articles 6.2 and 6.3

Bilateral/multilateral cooperation between countries, involving international transfers of the mitigation outcomes (ITMOs) produced through such cooperation

The Paris Agreement Crediting Mechanism (Article 6.4 Mechanism)

Articles 6.4 to 6.7

A mechanism to be operated centrally (6.4 SBM and UNFCCC secretariat), credits emission reductions by public and private sector actors, allows for international transfer of those credits or use for any other purpose

Framework for non-market approaches

Articles 6.8 and 6.9

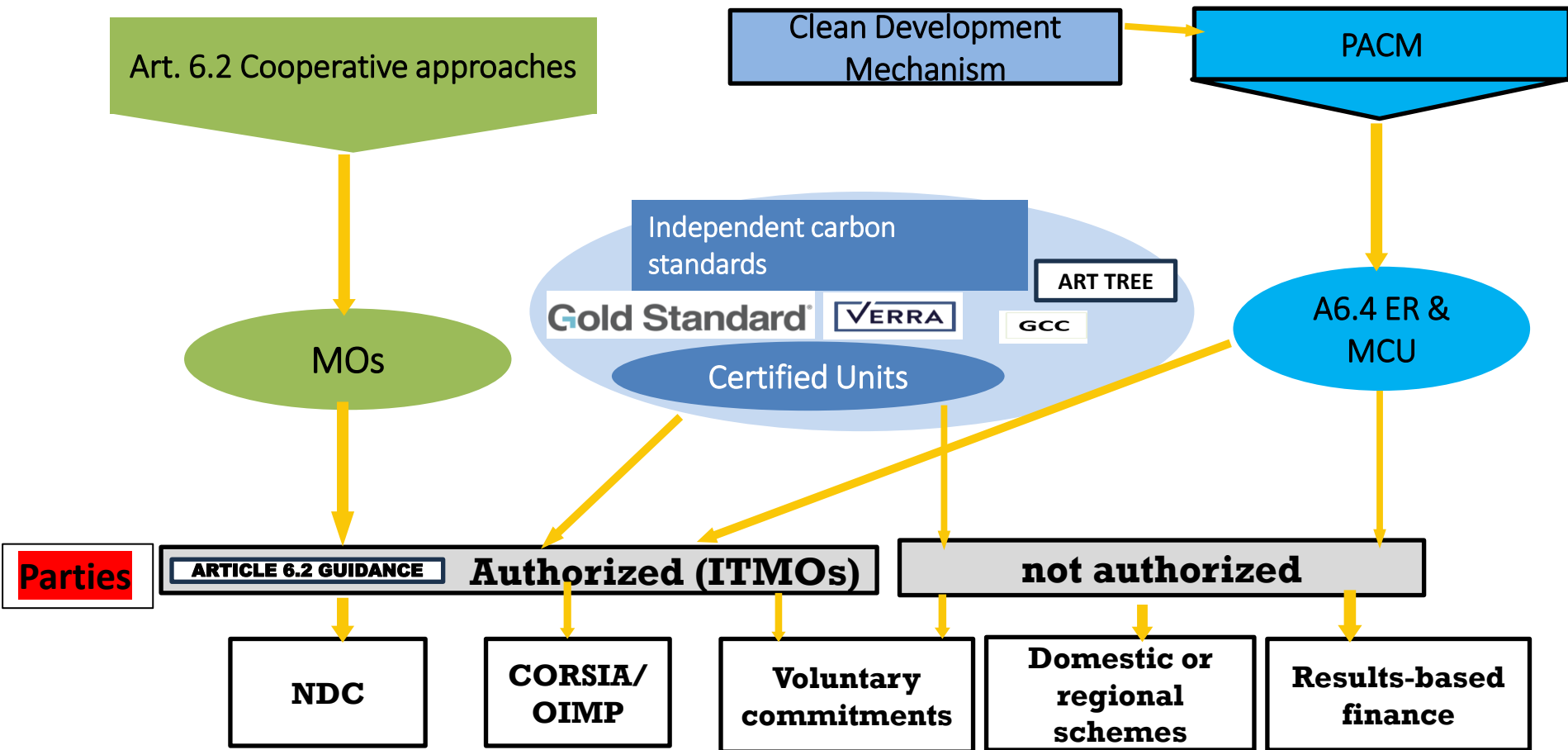
Framework that facilitates climate action through international cooperation focused on sustainable development and poverty eradication (and does not involve trading of mitigation outcomes)

Background on Article 6 negotiations

- Decisions on Article 6 of the Paris Agreement in Glasgow:
 - Guidance on cooperative approaches (6.2 mechanism)
 - Rules, Modalities and Procedures for the 6.4 mechanism
 - Work programme for the framework for Non Market-based Approaches (6.8 framework)
- Mandates from CMA 3:
 - The Article 6.4 Supervisory Body;
 - Subsidiary Body for Scientific and Technological Advice (SBSTA);
 - The Subsidiary Body for Implementation (SBI);
 - The UNFCCC Secretariat;
 - The Adaptation Fund;
 - The CDM Executive Board.

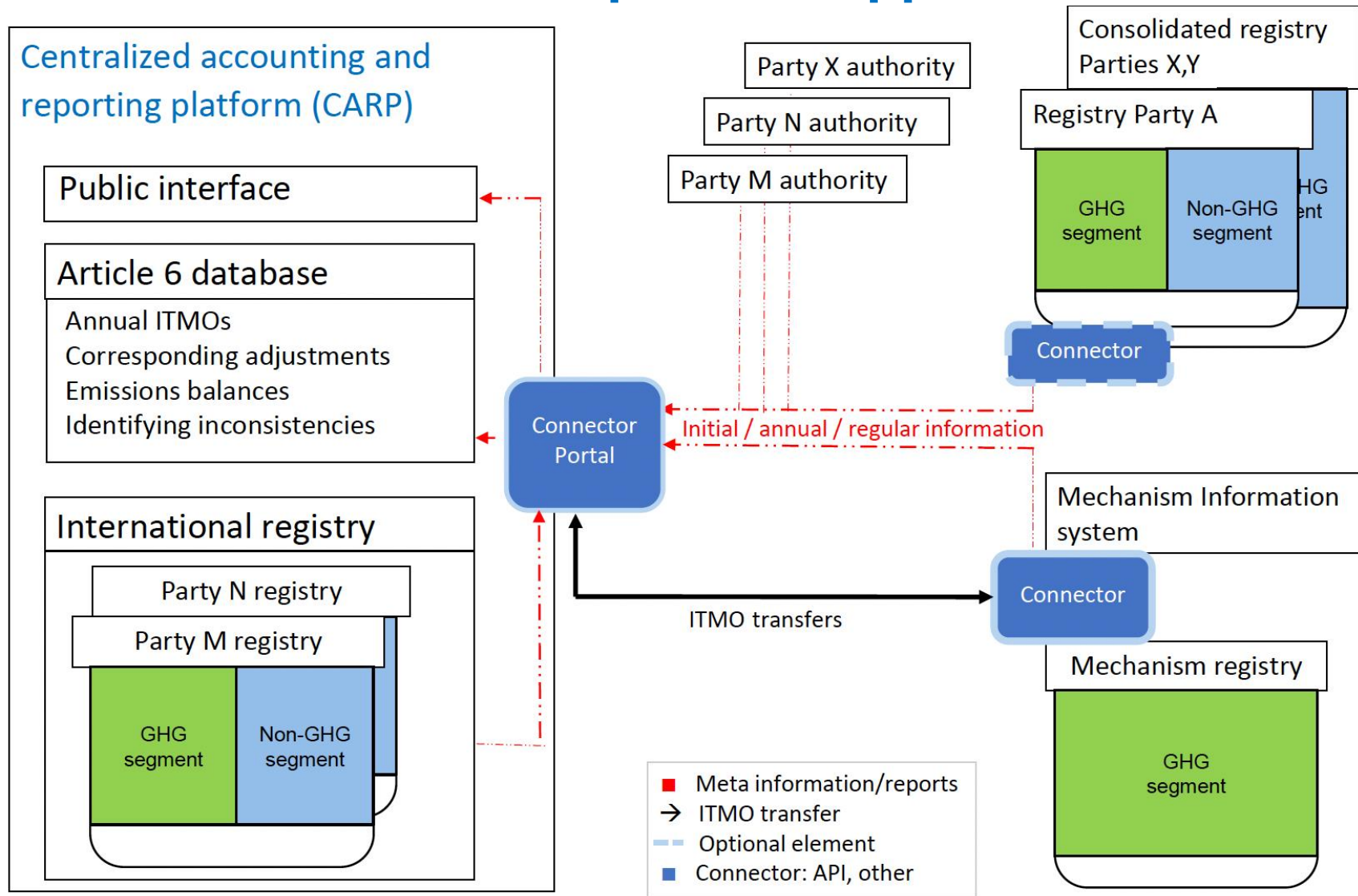
Carbon markets under Article 6

Carbon credits transactions under Article 6 of the Paris Agreement



All authorized ITMOs are subject to **corresponding adjustment** to avoid double counting. They can not be used by the Host Party to meet its NDC

ARTICLE 6.2: Cooperative approaches



ARTICLE 6.4: Paris Agreement Crediting Mechanism

Supervisory Body:

- Recommendations for consideration and adoption by The CMA:
 - Development and Assessment of Methodologies
 - Activities involving removals
- Operationalization of the UNFCCC centralized Mechanism
 - Other standards, guidelines and tools

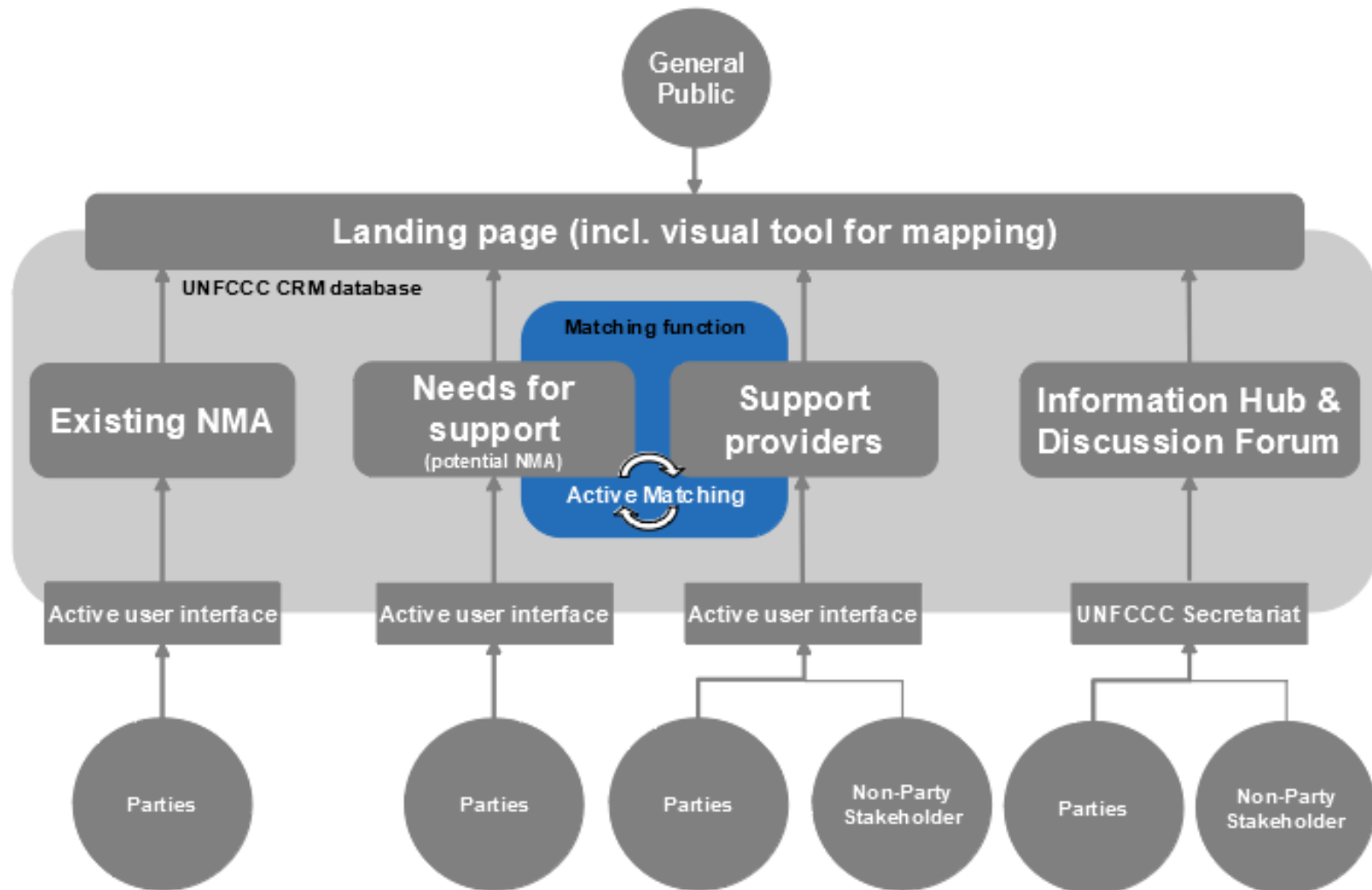
SBSTA:

- Additional guidance
- Transition of CDM activities

Secretariat :

- Develop the infrastructure

Model C: Web-based platform for recording existing and potential non-market approaches and support providers with matching functionality



Article 6 Rulebook: Key decisions on Article 6.2, 6.4 and 6.8

Component	Body	COP 26 Glasgow, 2021	COP 27 Sharm El-Sheikh, 2022	COP 28 Dubai, 2023
Article 6.2	CMA	Decision 2/CMA.3 Article 6.2 guidance	Decision 6/CMA.4 <ul style="list-style-type: none"> Tracking guidance Review guidance Reporting outlines Draft version for submitting annual information (AEF) 	No further guidance
Article 6.4	CMA	Decision 3/CMA.3 Article 6.4 rules, modalities and procedures (RMP)	Decision 7/CMA.4 <ul style="list-style-type: none"> Elaboration of processes, including on CDM transition Rules of Procedure for A6.4SB 	No further guidance
	A6.4SB		A number of standards and procedures developed by Article 6.4 Supervisory Body	
Article 6.8	CMA	Decision 4/CMA.3	Decision 8/CMA4	No further guidance

Other relevant decisions include e.g. Para. 77 (d) of Decision 18/CMA.1 (Enhanced Transparency Framework)

Global status of Article 6 (1)

- Bilateral agreement between countries ;
- Some projects on the ground;
- Numerous requests for medium- or long-term contracts or concessions;
- Capacity building from various partners;
- Alignment with Article 6 of independent standards;
- Accreditation of some carbon standards by CORSIA;
- Numerous requests for authorization from compliance and voluntary markets;
- Development of institutional and regulatory frameworks in many countries;

Global status of Article 6 (2)

- Some CDM projects are ready for the transition;
- Many players involved in capacity-building activities;
- Submission of statements for participation in Article 6.4;
- Development of environmental integrity principles by IC-VCM and VCMI;
- Civil society, scientific institutions and the press are actively involved in overseeing the voluntary carbon market;
- Scandals on voluntary carbon markets (e.g. NBS and cookstoves);
- Criticism of offset principles by many actors;
- Hopes from the “carbon market community” for Article 6 to better regulate the carbon market.

SBSTA 61 / CMA 6 : ARTICLE 6.2

Main issues:

- Scope and definition of a cooperative approach;
- Authorization;
- Application of first transfer;
- Agreed Electronic Format report;
- Tables for submitting annual information as part of the regular information;
- Sequencing and timing;
- Process of identifying, notifying and correcting inconsistencies;
- Inconsistencies identified in Article 6 technical expert reviews;
- Special circumstances of the least developed countries and small island developing States;
- Additional functionalities and procedures for the international registry;

SBSTA 61 / CMA 6 : ARTICLE 6.4

Adoption of the standards on Methodologies and Removals

- The CMA took note of the Adoption of the standards on Methodologies and Removals by the SBM and will provide additional guidance if needed
- SBM will report to the CMA on the application of the standards every year and request guidance if any
- **Outstanding matters:**
 - Authorization of Article 6.4 emission reductions (same for 6.2):
 - Timing of authorization; Statement of authorization (format) ; Changes and révocation of authorization ; Process of change and revocation; Content of authorization statement; Authorization of MCUs after issuance.
 - Article 6.4 Mechanism Registry (connection with 6.2 International Registry and Parties' national registries);
 - Share of proceeds for adaptation (LDCs);
 - Transition of clean development mechanism afforestation and reforestation activities;

SBSTA 61 /CMA 6 : ARTICLE 6.8

Meeting of the Glasgow Committee on Non-market approaches

- Operationalization of the UNFCCC web-based platform for recording and exchanging information on NMAs, known as the NMA Platform;
- Simple assessment of the progress and outcomes of the first phase of implementing the work programme activities;
- Schedule for implementing the work programme activities for the second phase.

AGN strategic Overview: Article 6.2

- **Authorization:**
 - Need to have 3 different types of authorization (authorization of the cooperative approaches, authorization of participating entities and authorization of ITMOs) and determine the timing for each of them.
- **Addressing Inconsistencies identified during the reviews:**
 - The processes must include enforceable consequences for significant and/or persistent inconsistencies to preserve the environmental integrity and credibility of the cooperative approaches.
- **International Registry:**
 - The international registry must perform all functions already agreed for countries that have not or have not access to a registry.

AGN strategic Overview : Article 6.4

- **Authorization:**
 - We strongly welcome the new text on change of authorization that resolve an outstanding issue on the authorization of MCU to become Authorized 6.4 Emission Reduction and allow for a better balance between Mitigation Outcomes internationally transferred when they are generated by different standards and mechanisms
- **Mechanism Registry:**
 - The Mechanism Registry must be connected to the international registry and national registries if requested by Parties

AGN strategic Overview : CDM

Management of financial resources

- **Option 1: Requests the SBI to authorize a transfer of USD [xx] million from the trust fund for the clean development mechanism to:**
 - the Adaptation Fund;
 - the mechanism established by Article 6, paragraph 4, of the Paris Agreement;]
 - the regional collaboration centers for capacity-building in developing countries for applying the mechanism established by Article 6, paragraph 4, of the Paris Agreement
 - support for the infrastructure under Article 6, paragraph 2, of the Paris Agreement and the mechanism registry;
 - the fund supporting activities related to the enhanced transparency framework under the Paris Agreement, including capacity-building for related reporting and review
 - the fund supporting activities related to response measures;
- **Option 2:** Decides not to transfer any amount from the trust fund for the clean development mechanism for activities outside the clean development mechanism.

CMA 6 Outcomes: Article 6.4 (1)

RMP for the PACM: Further guidance

- CMA took note of SBM's adoption of the methodologies standard and the removals standard;
- SBM and the secretariat requested to ensure that adequate technical and scientific expertise is available to support their work on methodologies, removals and related operational elements;
- Requests the Supervisory Body to consider relevant international environmental agreements when carrying out its work;
- SBM to accelerate revision of valid CDM methodologies with a view to applying them for activities under the A6.4 mechanism;
- Urges the Supervisory Body and the secretariat to expedite the establishment of the mechanism registry and the relevant procedures therefor;

CMA 6 Outcomes: Article 6.4 (2)

- **Authorization of Article 6.4 emission reductions (A6.4ERs)**
 - Host Parties “encouraged” to provide the authorization statement as early as possible (latest at issuance)
 - Authorization statement to contain information:
 - specification of full or partial authorization of A6.4ERs for NDC and/or OIMP;
 - no authorization of A6.4ERs;
 - allowing issuance as MCUs that can be authorized at later stage.
 - SB to consider need for a time limit by when statement should be provided → report back to Parties
- **Article 6.4 mechanism registry**
 - Voluntary connection between Party registries and mechanism registry that allows for transfer of authorized A6.4ERs (while avoiding double counting) + pulling & viewing data
 - No transfer of MCUs out of mechanism registry
- **Transition of CDM activities**
 - CDM Afforestation and reforestation projects and programme of activities can request transition as per the deadlines that have to be respected

CMA 6 Outcomes: Article 6.4 (3)

- **2022:** COP27: Rejection of recommendation on Methodologies and Removals
- **2023:** COP28: No adoption of recommendation on Methodologies and Removals
- **2024:**
 - SBM 014: Adoption of the standards
 - COP29 / CMA: takes note of adopted standards
 - To accelerate revisions of CDM baseline and monitoring methodologies
 - MEP: Draft additionality standard and Draft baseline standard ready
- **2025:** Further work
 - Supervisory Body (SBM) will “expeditiously elaborate” the standards while ensuring regulatory stability:
 - SBM to expedite work on standards, tools and guidelines
 - MEP work on prioritized products: baselines, downward adjustment, standardized baselines, suppressed demand, additionality, leakage, post-crediting period monitoring, reversal risk assessments, remediation measures;
 - Revision of CDM meth: energy, waste, cookstoves, rural electrification, transport.

CMA 6 Outcomes: Article 6.2 (1)

- **Authorization:**
 - Three components: authorization of cooperative approach, entities and ITMOs.
 - **Single consolidated** authorization process or **sequential** process
 - Stringent (“shall”) requirement regarding elements of an authorization incl. duration, 1st transfer specification, specification of authorized uses, info. on circumstances in which changes may occur and process to avoid double counting;
 - Secretariat to develop voluntary standardized template for the authorization;
 - Authorizations and updates to be stored on centralized accounting and reporting platform (CARP);
 - Changes to authorization shall not apply or affect already first transferred outcomes **unless** specified in “terms and conditions of the authorization” by cooperating Parties to avoid double counting.

CMA 6 Outcomes: Article 6.2 (2)

- **Authorization elements:**

- Unique identifier for coop approach
- Name(s) of participating Party(ies) and/or entities
- Date and duration of authorization, incl. final date for MOs to be issued, used or cancelled
- Specification of first transfer of MOs
- Uses covered by authorization
- Identification of or cross-reference to underlying regulations, framework, standards or procedures incl. specific methodologies
- Info on circumstances in which changes may occur + process on avoiding double counting if applicable
- Quantity of ITMOs, if applicable
- Identification of registry for tracking & recording
- Identification of relevant registry(ies) in underlying regulations, if appl.. frameworks etc. that contain MOs and track status of underlying activity
- Vintage(s) covered, metrics + conversion + GHGs covered; sector(s) + activity (type(s)), if appl..

CMA 6 Outcomes: Article 6.2 (3)

- **Implications decision on authorization:**
 - Need to update some issued authorizations which might affect existing MoUs , bilateral agreements or purchase agreements
 - Existing upfront authorizations might want to more clearly specify the actual quantity of ITMOs authorized (after verification)
 - Most existing authorizations need to update their provisions regarding changes; include terms and conditions in authorization;
 - Privately governed carbon crediting programmes must update their authorization check lists;
 - Parties must annually submit information on authorizations made in the previous calendar year;
 - Authorization duration “including the final date for mitigation outcomes to be issued, or to be used or cancelled, in connection with the first transfer specified by the Party” (for OIMP) can be used by host Party to address potential accounting challenges.

CMA 6 Outcomes: Article 6.2 (4)

- **Application of first transfer**
 - New understanding of the ITMO definition:
 - ITMO = MO authorized AND first transferred
 - OIMP:
 - First transfer of MO to be recorded no later than 31 Dec of year prior to submission BTR for NDC period in which MO occurred
 - Accounting cycle is closed for authorization for OIMP:
 - Developed countries: 1st transfer to be recorded no later than Dec 2031
 - Developing countries: More flexibility → deadline for issuance, use or cancellation may be 31 Dec 2033
 - Voluntary Adaptation Fund transfers: Such transfers are to be recorded as a first transfer
 - Approach consistent with authorized Article 6.4 emission reductions (A6.4ERs) where forwarding to the AF is defined as a ‘first transfer’
 - Cancellations to deliver OMGE:
 - Such cancellations shall be recorded as first transfer
 - Delivery of OMGE is not counted by any Party or entity
 - Use for OMGE does not need to be authorised by first transferring Party

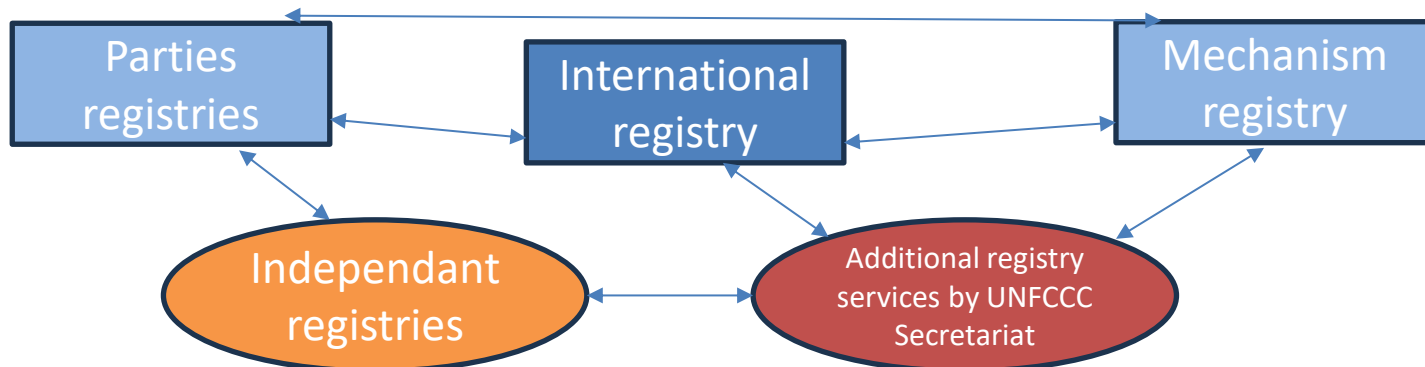
CMA 6 Outcomes: Article 6.2 (5)

Addressing the inconsistencies

- Adopt the tagging approach for ITMOs under the review process and transparent disclosure for stakeholders:
 - “no inconsistencies identified”,
 - “inconsistencies identified”,
 - “not available”
- Specify the Parties’ responsibility to address the inconsistencies and their consequences, requesting that ITMOs identified as inconsistent ‘not be used.’
- **Not stop the process/use of transferring the ITMOs**
- Decide on ‘significant’ or ‘persistent’ inconsistency to be identified and addressed by A6 technical expert review team

CMA 6 Outcomes: Article 6.2 (6)

- **Further guidance relating to tracking**
 - Agreement on a compromise regarding functionalities of Art6.2 international registry
 - Connection from mechanism registry and Party registry to international registry must allow “pulling and viewing” (recording) and “transfers” of authorized A6.4ERs as ITMOs
 - Additional registry services (to be provided to those that request it) that issue mitigation outcomes as units + transfer to international registry
 - No issuances into international registry



CMA 6 Outcomes: Article 6.8 (1)

- **First phase of implementing the work programme activities:**
 - expedited and simple assessment of the first phase of implementing the work programme activities undertaken by the G C NMA
 - Parties have identified and framed all relevant elements of the work programme activities, and the secretariat has developed the NMA Platform and an associated user manual
 - identifying existing non-market approaches under the framework and for identifying and sharing information, best practices, lessons learned and case studies in relation to developing and implementing non-market approaches.
- **Second phase of implementing the work programme activities:**
 - implementing the work programme activities will focus on fully implementing the activities following a learning-by-doing approach and drawing on inputs from the first phase;
 - recalls the scope of non-market approaches under the framework
 - may include joint mitigation and adaptation approaches for implementation under the framework for non-market approaches, which can link addressing climate change to biodiversity conservation and sustainable development, considering the benefits that may arise from such approaches, including “Mother Earth Centric Actions”

CMA 6 Outcomes: Article 6.8 (2)

- **NMA Platform**

- operationalization of the NMA Platform;
- invitation to interested Parties, relevant bodies and representatives of institutional arrangements and processes under the Convention and the Paris Agreement related to, inter alia, mitigation, adaptation, finance, technology development and transfer, and capacity-building, including United Nations bodies, multilateral, bilateral and other public donors, and private and non-governmental organizations, to provide information on financial, technology and capacity-building support available or provided for identifying, developing or implementing non-market approaches for recording on the NMA Platform;
- Submissions from Parties and observers

- **Capacity-building:**

- request to the secretariat to include, as part of its broader capacity-building programme related to Article 6 of the Paris Agreement, activities related to the work programme under the framework for non-market approaches

Perspectives for african countries

- **Article 6.4:**
 - Appointment of DNA and establishment of the institutional and regulatory framework;
 - Submission declaration on participation responsibilities;
 - Authorization of CDM project activities and programmes to transition into PACM;
 - Submissions and contributions on the work of the SBM;
 - Submission of CDM afforestation and reforestation project transition requests and programme of activities.
- **Article 6.2:**
 - Setting up and implementing an institutional and regulatory framework;
 - Establish cooperation with partners (Parties)
 - Define/revise authorisation procedures and criteria.
- **Article 6.8:**
 - Appointment of a focal point 6.8 ;Submission of applications for NMA projects and programmes;
 - Establish cooperation with the other Parties.

Thank you

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