

# “Straw man” guidance on cooperative approaches referred to in Article 6.2 of the Paris Agreement

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# Objective

- To produce a “straw man” for Article 6.2 conducive to the creation of a liquid carbon market
- Build on the Feb 2018 Reed Smith & ICSTD straw man paper

# Guiding Principles

- Discard options which were:
  - Too complicated to implement
  - Inconsistent with a bottom-up philosophy
  - Restrictive or unnecessarily limiting to the future potential development of a carbon market
  - Duplicative or overtaking other provisions in the Paris Agreement - linkages

# Principles

- Mitigation outcomes that produce ITMOs need to be inside NDCs
  - 1/CP.21 specifies CA for Art 6.2
  - Adjustment related to what was in NDC
- Special circumstances for LDCs and SIDS

# Definitions

- **“Corresponding adjustment”**:
  - A corresponding adjustment is the method by which, pursuant to paragraph 37 Decision 1/CP.21, transferring Parties and acquiring Parties participating in cooperative approaches help avoid double counting
- **“Double claiming or double use”** is any of the following:
  - The use by more than one Party of the same ITMO towards achievement of its NDC;
  - The use by one Party of an ITMO towards achievement of its NDC and the use by the same, or another, Party of the same ITMO for an international purpose other than towards achievement of its NDC
  - *Questions*
    - *Can the outcome of an action/activity be unbundled?*
    - *Can multiple incentives be recognized?*
    - *Does double claiming apply to recognition of domestic and international incentives?*

# Definitions

- **“International transaction log”**
  - **“ITL”** means the electronic database established by the [CMA/secretariat] to store information of transfers between Parties [and which incorporates a central communications hub to enable Registries of Party’s participating in cooperative approaches or between cooperative approaches to communicate].
- **“Acquiring Party”** is a Party to the Paris Agreement [that is participating in a cooperative approach] to which an ITMO is transferred;
- A **“transferring Party”** is a Party that is participating in a cooperative approach, from which an ITMO is transferred to another Party that is participating in a cooperative approach with that Party;
- A **“using Party”** is a Party to the Paris Agreement that uses ITMOs towards achievement of its NDC, including through retirement or cancellation.

# ITMO

- The creating Party shall issue an ITMO in the same metric in which the mitigation outcome is achieved.
- Where a using Party wishes to use an ITMO towards its NDC in a metric other than that of the original metric in which it was issued, it shall only do so by using, either
  - [A methodology based on general guidance provided by the CMA for converting ITMOs of one metric to another, which methodology will be clearly defined and reported by the using Party through the transparency framework;] **or**
  - [A methodology for converting ITMOs of one metric to another developed under the guidance of the CMA.]
- ITMOs of different metrics are not fungible but a Party to a cooperative approach may determine whether ITMOs based on the same metric but issued by a creating Party of a different cooperative approach may be acceptable to that Party for the purposes of its use towards the achievement of its NDC.
- An ITMO to be a unit.
- An ITMO may be created for the full spectrum of mitigation outcomes, including mitigation co-benefits of adaptation actions and/or economic diversification plans.
- Have a unique serial number, assigned by the Issuing Party, in a format approved by the CMA ;

# Process

- Eligibility
- Ex-ante reporting
- Ex-ante review through Article 15 mechanism
- Creation of MO
- Transfer of ITMOs
- Corresponding Adjustment
- Ex-post reporting
- Ex-post review



# Corresponding adjustment

- Corresponding adjustments put in place to avoid double counting
- Corresponding adjustments done on the basis of a buffer/interchange account
- Every time there is a transfer
- At the time of transfer
- Convention: transfer out (-); transfer in (+)



# Corresponding adjustment

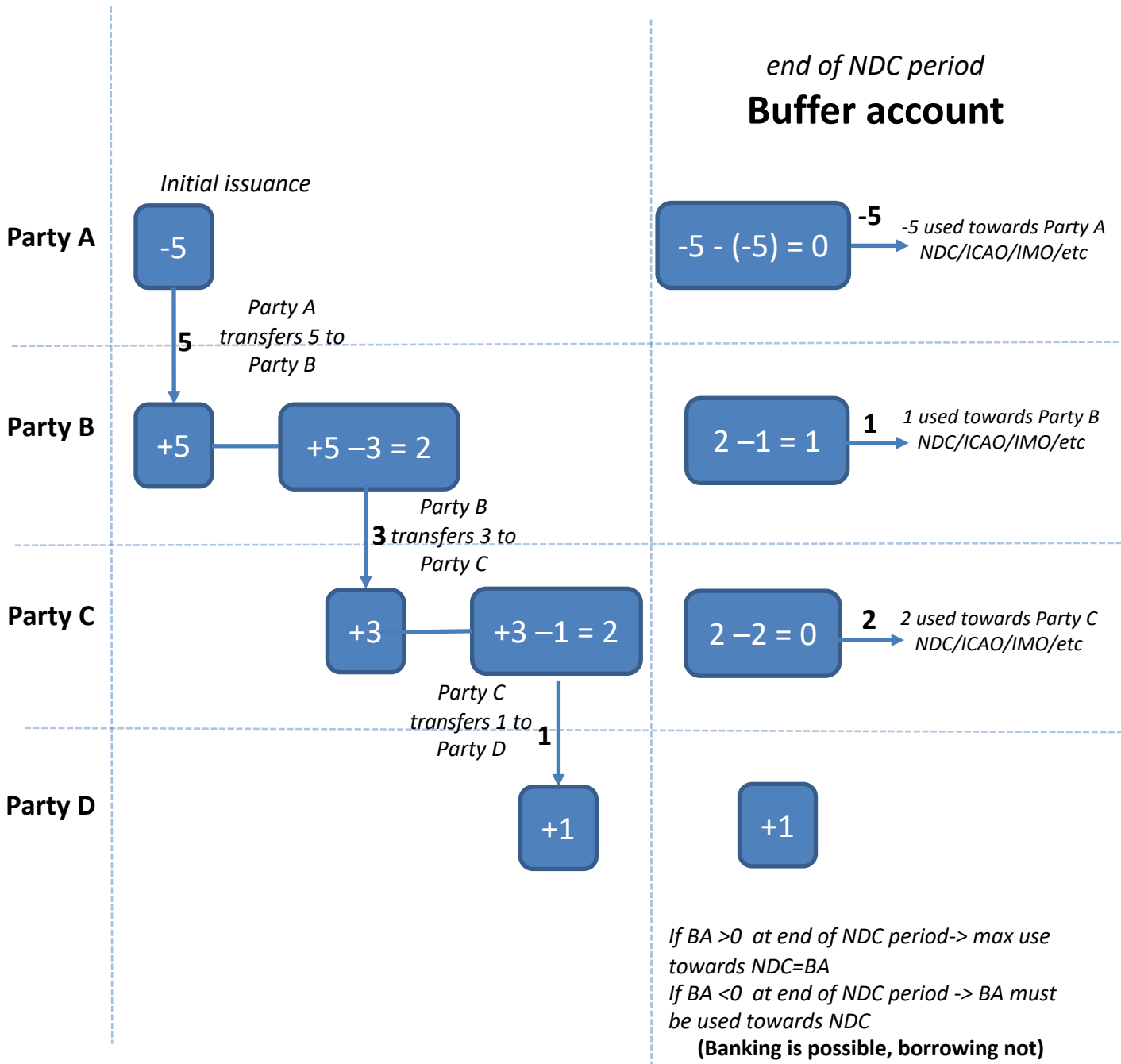
## Buffer/interchange account (BA)

- Helps avoid double counting
- Keeps track of the position of the country
- Does not provide information of where an ITMO is any given time – that will be provided by the ITL
- Does not do accounting, provides information to do the accounting together with NDC and inventory
- One buffer account for each metric acquired
- If  $BA > 0$  at end of NDC period  $\rightarrow$  max use towards  $NDC = BA$
- If  $BA < 0$  at end of NDC period  $\rightarrow$  BA must be used towards NDC

# Double counting and tracking

- The ITL and CA have different roles
- ITL: pinpoints what national registry an ITMO is at any time
- Corresponding adjustments based on buffer account: gives the net position of any Party at any time

# BUFFER ACCOUNT APPROACH



*Information for Article 4 (Mitigation)/ Article 13(Transparency Framework)*

**Inventory**  
**+/- Buffer Acct amount**  
**NDC**

# Governance

- Parties
  - Main decision making role, except transparency requirements
- CMA
  - Review the guidance periodically
- Secretariat
  - Maintain and transfer buffer registry and ITL
  - Check and cross reference corresponding adjustments

# Specific guidance

- Single year targets: a using Party to make corresponding adjustments in the single year NDC for the total amount of ITMOs transferred during the NDC period
- Pre 2020 ITMOs to be used by ensuring avoidance of double counting with KP2
- Article 6.4 units transferred are under this guidance if they originate in sectors covered by the NDC



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# Further ‘straw man’ guidance on cooperative approaches referred to in Article 6.2 of the Paris Agreement

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