

Authorization and ITMOs in Article 6.2 and Article 6.4 decisions

(also, in the real world)

ITMO Authorization—Key concepts and assumptions in Article 6.2 Decision

- ▶ ITMO authorization is called for in Article 6.3 for Parties participating in a cooperative approach (i.e., *any/all* Participating Parties).
- ▶ A6 decisions make clear that *authorization* indicates, among other things, that the first-transferring Party will apply adjustments for the authorized mitigation outcomes.
- ▶ Authorization could be communicated in many forms—such as bilateral agreements or MoU’s between Parties, or a Party’s project/program approval documentation.
- ▶ Parties might take different approaches to identifying or designating the agency(ies) that provide authorizations.
 - ▶ e.g., UNFCCC Focal Point (CORSIA requirement), A6.4 Designated National Authority
- ▶ This diversity of domestic administrative approaches—and forms of cooperation—is partly why some Parties focused on guidance that identifies *when* and *where* authorization is evidenced. So, “no streamlining” makes sense for general guidance.
 - ▶ i.e., not also authorization format or domestic administrative practices

ITMO Process Flow goes something like this...:

In some scenarios, underlying market activity occurring

Party fulfills Participation Responsibilities

- To ensure readiness to apply A6.2 guidance and to demonstrate this in Initial Report

Authorization of cooperative approach(es)

Party reports on cooperative approach(es), ITMOs

- In Initial Report, and updates to Initial Report
 - No later than authorization of each new/additional cooperative approach
- Annually, *detailed* data, information submitted to Article 6 Database
 - consistency checks; needed corrections
- Biennially,
 - *aggregated* data, information in BTR Structured Summary
 - *detailed* data in tables appended to BTRs

ITMOs accounted for in assessing NDC target achievement

- In BTR containing information on the end year of an NDC implementation timeframe

Article 6 TER

Article 13 TER

Authorizations factor into most steps...:

In some scenarios, underlying market activity occurring

Party fulfills Participation Responsibilities

- Party to have in place arrangements for authorizing ITMOs

Authorization of cooperative approach(es)

Party reports on cooperative approach(es), ITMOs

- In Initial Report, and updates to Initial Report
 - Authorization triggers reporting; Party provides evidence of authorization
- Annually, *detailed* data, information submitted to Article 6 Database
 - On authorizations, authorized ITMOs and entities
- Biennially,
 - Party provides evidence of, any updates to authorizations
 - Party provides data and information on authorized ITMOs

ITMOs accounted for in assessing NDC target achievement

- Same as above in BTR containing information on the end year of an NDC timeframe

Article 6 TER

Article 13 TER

Who, what, when? Possible information conveyed in authorizations...

Adjustment Trigger— authorizations for OIMP's

- ▶ Authorization
- ▶ Issuance
- ▶ Use or cancellation

Authorized Entity(ies)

- ▶ Party A authorizes Party B to use...
- ▶ Party A authorizes any Party to use...
- ▶ Party A authorizes any use of...
- ▶ Party A authorizes System A to use...

Time Bounds—e.g., for creation, use

- ▶ ...toward 2030 NDC achievement...
- ▶ ...ITMOs representing units created in years 2023—2028
- ▶ ...ITMOs representing units surrendered in the first three compliance cycles of underlying emissions trading system...

Detailed Substance—likely to vary by approach and format

- ▶ ...ITMOs representing the net quantity of units created in Party A and surrendered by Party B's compliance entities...
- ▶ ...ITMOs representing the net quantity of units created in Party A and surrendered by Party B's compliance entities... up to 40 MtCO₂e...
- ▶ ...ITMOs representing units transferred from any projects registered under System/Program A and created in Party A...
- ▶ ...ITMOs representing units transferred from any projects registered under System/Program A that are implemented in Party A's Favorite Sector...

ITMO Authorization—Key concepts and assumptions in Article 6.4 Decision

- ▶ Decision reflects that authorized Article 6.4 ERs are subject to Article 6.2 guidance for authorized ITMOs.
- ▶ Decision also reflects that ITMOs can be issued that are not authorized.
- ▶ This is consistent with the flexibility seen in other (independent) mechanisms, which acknowledge that authorization—so, adjustments—is not a universal necessity.
- ▶ EXAMPLES:
 - ▶ Domestic mechanisms designed to support NDC implementation
 - ▶ ERs delivered for results-based payments
- ▶ It is critical that a mechanism...
 - ▶ registry system clearly identifies / “tags” ERs that are /not authorized in Article 6 sense
 - ▶ outlines procedures and necessary information for host countries to submit, update authorizations
- ▶ These technical “how’s” are up to each mechanism to operationalize—including the Article 6.4 mechanism

ICAO's CORSIA has existing requirements for eligible mechanism authorization procedures

- ▶ In 2021, the ICAO Council approved two carbon credit certification programmes to supply emissions units with vintages from 2021–2023. These units can be used in the CORSIA's first compliance cycle.
 - ▶ American Carbon Registry (primarily U.S.-based project standard)
 - ▶ Architecture for REDD+ Transactions (int'l jurisdictional program standard)
- ▶ These programmes have in place procedures for avoiding double-claiming that were seen as aligning with the CORSIA's eligibility criteria and detailed guidelines for...
 - ▶ programs and their projects to obtain host country attestations (i.e., authorizations) and guiding the contents of these authorizations
 - ▶ Host Countries to confirm they will apply adjustments, and the steps taken to do so (in line with Article 6.2 procedures)
 - ▶ monitoring Host Country national reports (annual, BTRs) to confirm that adjustments are carried out by the country as outlined in an attestation
 - ▶ mechanism in place ensuring program replaces units for which adjustments are not applied in the manner and timeframe indicated by the host country

EXAMPLE *Letter of Assurance, Authorization* under a CORSIA-eligible mechanism

from American Carbon Registry Standard V7

TO: American Carbon Registry (ACR), an enterprise of Winrock International

FROM: UNFCCC Focal Point, Government of Country X

RE: Letter of assurance and authorization related to GHG emission reduction project Y

With regard to project Y, as described in the project documentation attached to this letter, we hereby acknowledge that the project may reduce greenhouse gas emissions in country X by [*describe activity*] and that American Carbon Registry (ACR) has issued, or intends to issue, offset credits for these emission reductions.

We hereby authorize that the project's emission reductions, issued as offset credits by ACR, may be used by aeroplane operators to meet offsetting requirements under CORSIA [optional: *or by other countries towards achieving their NDC,*] subject to the following restrictions:

- We authorize only the use of the project's emission reductions, for which ACR has issued or will issue offset credits, that occur in the period from [DATE] to [DATE]; and
- We authorize only the use of a maximum of [#] tCO₂e of the project's emission reductions, issued as offset credits by ACR, for each calendar year.

EXAMPLE *Letter of Assurance, Authorization* under a CORSIA-eligible mechanism

from American Carbon Registry Standard V7

We hereby request ACR to submit annual reports to us, no later than by 31 March of each year, on the actual issuance of offset credits, as well as the use of the offset credit's associated emission reductions by other countries or entities, including volumes canceled for use by each country and entity.

We hereby declare that country X will not use the project's emission reductions to track progress towards, or for demonstrating achievement of, its NDC and that country X will account for the use of the project's GHG emission reductions by aeroplane operators under CORSIA or by other countries through adjustments in the structured summary of country X's biennial transparency reports, as referred to in paragraph 77, sub-paragraph (d), of the Annex to decision 18/CMA.1, and consistent with relevant future decisions by the CMA.

- ▶ The example letter assumes that a Host Country is authorizing credits at a program-level. Others may do so project-by-project, or for select technologies or methodologies, and/or via a registry.
- ▶ Prior to COP26, ICAO asked programmes to elaborate procedures for Host Country attestations to also identify the Party's chosen "trigger" for adjustments (e.g., authorization, issuance, use).
- ▶ Most CORSIA-eligible programmes also supply credits to voluntary buyers. These procedures may be a relevant starting point for countries that wish to authorize their credits for such uses.