

Article 6 of the Paris Agreement

Authorization as per Article 6.2 and Article 6.4

April 2022



Authorization

- 6.2 authorizations shall be recorded in the registries (p.29)
- Authorized A6.4ERs should be distinguished in the mechanism registry (p.55)
- Authorizations shall be reported, including in the annual information (p.20)
- Article 6.2 and Article 6.4 have distinct authorization processes

ITMO lifecycle

Mitigation Outcome/ER → Authorized → First Transferred → Used

Not an ITMO: no reporting as per 6.2

ITMO: Reporting mandatory as per 6.2



Authorization elements

6.2 authorization elements	Paragraph	6.4 approval / authorization elements	Paragraph
Cooperative approach	18.g	Activity <u>approval</u>	40
ITMOs from cooperative approach	18	A6.4ER uses <u>authorized at activity level</u>	42
ITMO uses	1.d,f,g; 2.a,b; 3; 4.c; 8.a; 9.a; 10.a; 16; 18; 20.a-d; 29		
The OIMP (is this about a use type within OIMP?)	20.b		
Trigger for CA (1 st transfer)	2.b	Trigger for CA (1 st transfer)	42
Entities authorized in a cooperative approach	18.g	Entity <u>authorization at activity level</u> (Host Party / other Parties)	41, 45
Entities authorized to use ITMOs for OIMP	23.d		
		Applicable terms/provisions	42



Authorization open questions

Time frame

- Is time frame relevant in relation to uses and entities or are authorizations open ended?
- At what point of the ITMO life its use/s can be authorized?

Authorization scope

- Does an authorization apply to all MOs/ITMOs from the cooperative approach equally?
- Can a Party issue more than one authorization per cooperative approach (in relation to ITMOs/uses/entities)?
- What a participating Party authorizes?
 - *Host Party authorizes uses/1st transfer and entities*
 - *Other Party authorizes IMP-use/1st transfer (1.f) and entities*
- Are entities authorized at the use-level (for a specific use/s such as IMP) or at the approach level?
- Can authorized entities transact any ITMOs (including entities authorized at activity level in 6.4 – p.41)



Authorization open questions

Corresponding adjustments

- For multiple-use ITMOs, will the 1st transfer be determined based on the earliest chronologically occurring 1st transfer, even if the use does not correspond?
- If not-authorized A6.4ERs are not subject to corresponding adjustments (p 43,44, 71,72 talk only about authorized A6.4ERs), what does this mean for the 2% OMGE applied at issuance to non-authorized A6.4ERs as per p 69.a? The same question is relevant to the 5% adaptation levy on non-authorized A6.4ERs
- Why p 23.d refers to authorized for use and not used ITMOs (*as in 23.e in relation to NDC*)?

Scope of reporting

- All transfers of ITMOs and use are reported from the point of authorization (p 20)
- First and subsequent transfers and use
- First and subsequent international transfers and use



Changes to authorizations and impacts

Changes to authorizations (relevant also to 6.4ERs)

- What can be changed about an authorization?
- Can authorization be issued/changed after first international transfer?
- Can the change be a revocation?

Situation	Authorization action	Impact on actors (depending on the change)	Impact on CA (depending on the change)
An NDC authorized MO was issued	Change in authorization (including revocation)	Host Party (holding) entity	No
An NDC authorized ITMO was 1st transferred	Change on authorization (including revocation)	Other Party (holding) entity Other Party* Host Party	Yes
An OIMP authorized MO was issued	Change on authorization (including revocation)	Holding entity (host Party or other Party) Host Party	Yes
An OIMP authorized ITMO was 1st transferred	Change on authorization (including revocation)	Holding entity (host Party or buyer Party) Host Party	Yes

*How to identify and notify the other (holding) Party?



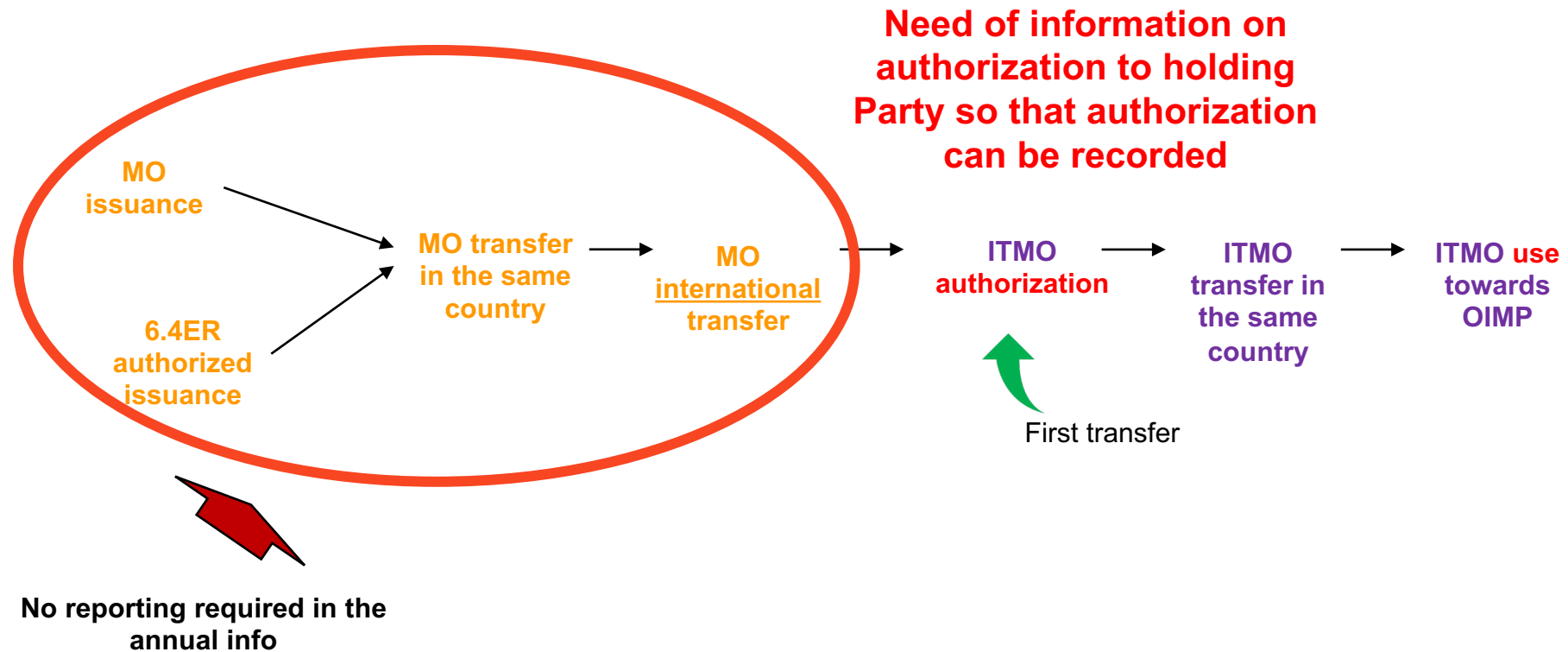
Conclusions

1. Depending on the change of an authorization, there would be implications for entities/Parties. To limit the impact, changes to authorized-uses/1st transfer could be permitted before a MO is 1st transferred (deeper risk assessment is relevant)
2. Clarification and alignment of the authorization process across Parties would simplify implementation
3. Some clarifications may require further guidance
4. The CARP can support an authorization module



Use cases

- In the cooperative approach, the participating Party authorizes the use of ITMOs for OIMP only
- For OIMP, the originating Party defines authorization as first transfer (2.b i)

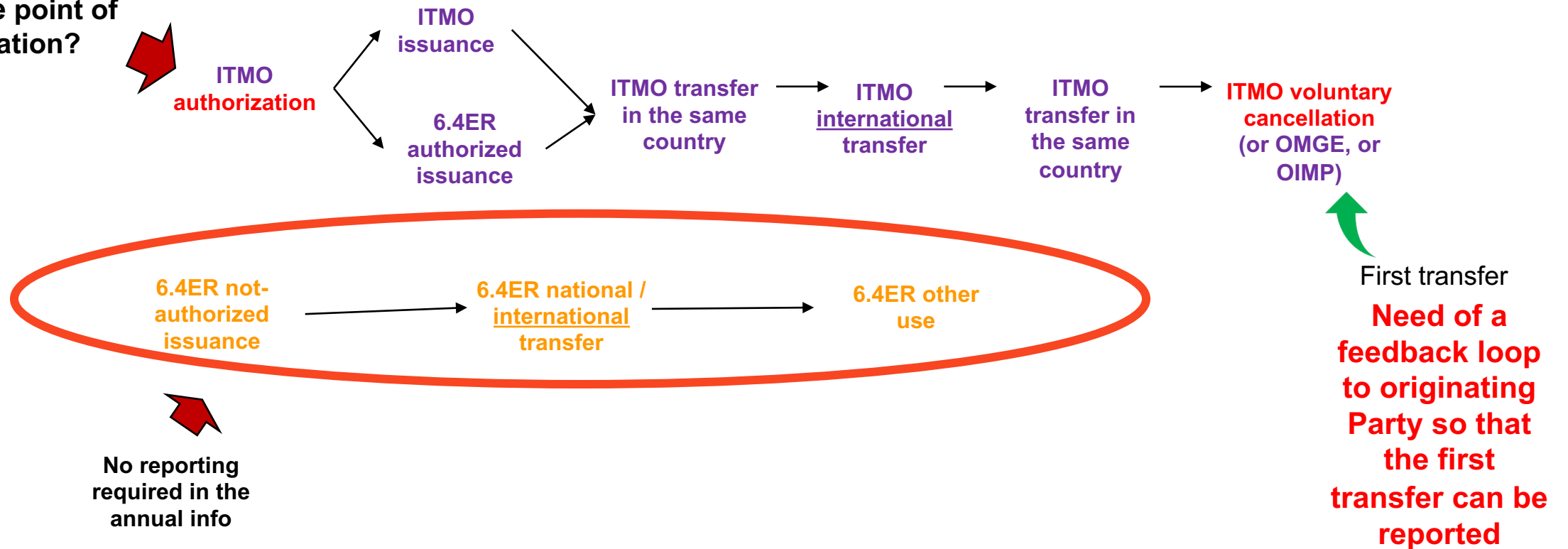


Does it mean that all transactions that preceded the authorization must be reported?

Use cases

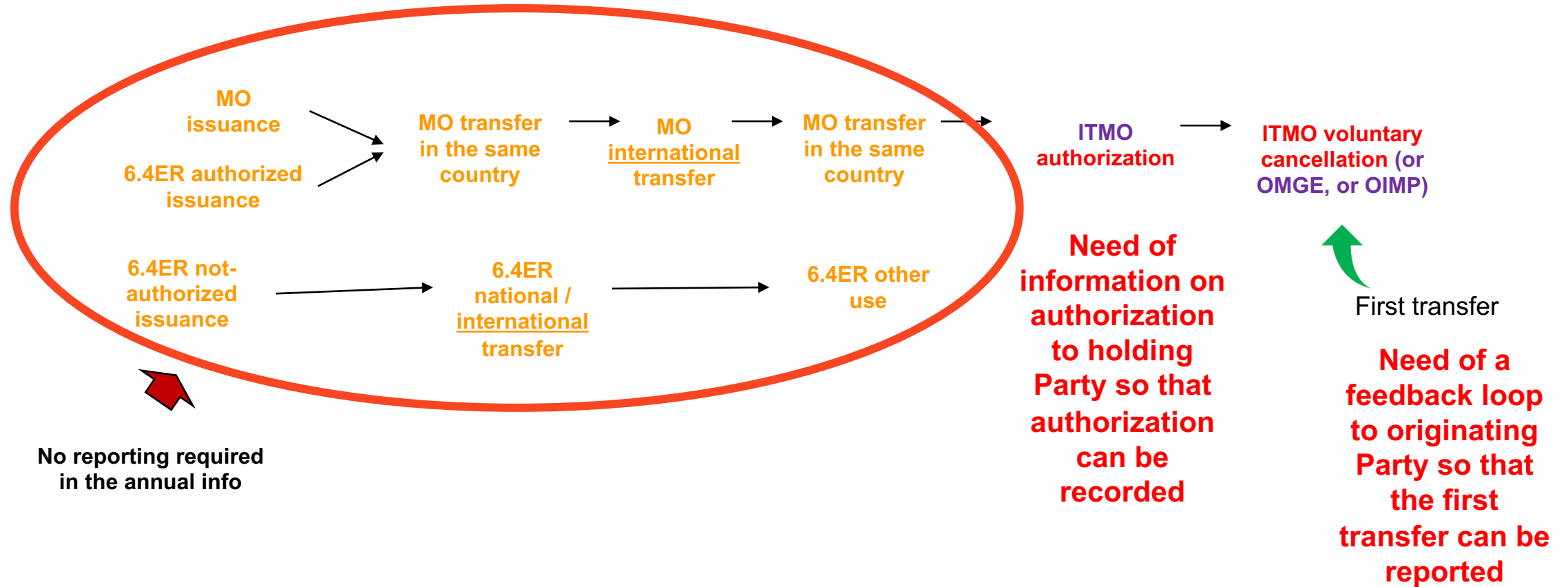
- In the cooperative approach, the participating Party authorizes the use of ITMOs for OIMP only
- For OIMP, the originating Party defines use as first transfer (2.b iii)

ITMOs reported
from the point of
authorization?



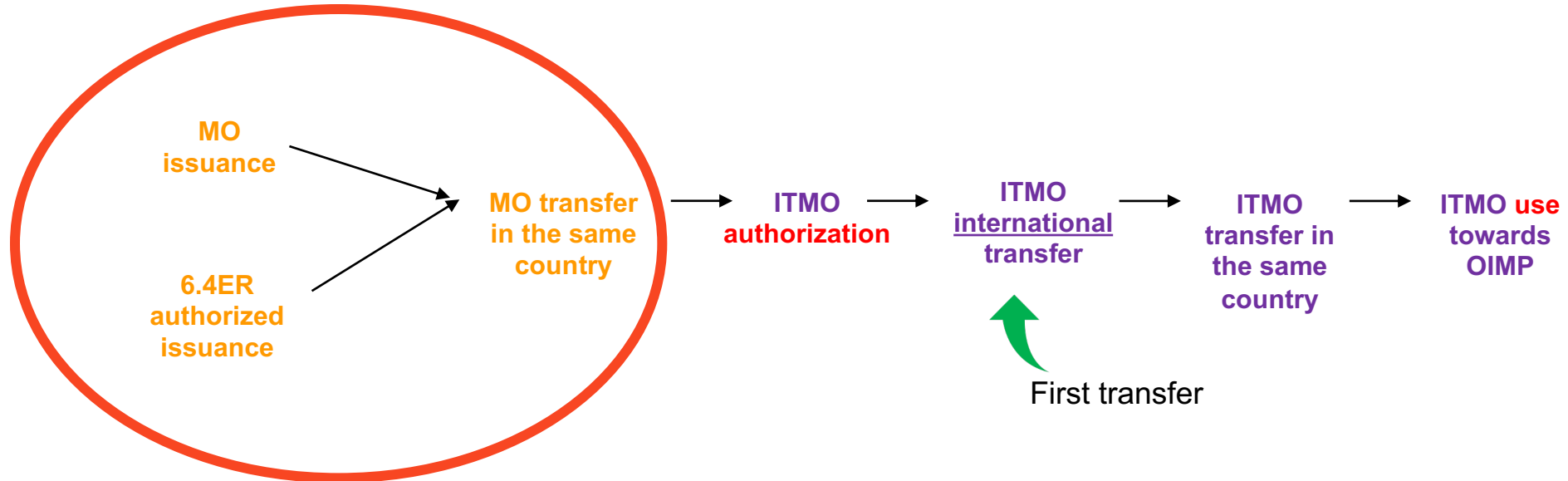
Use cases

- In the cooperative approach, the participating Party authorizes the use of ITMOs for OIMP only
- For OIMP, the originating Party defines use as first transfer (2.b iii)



Use cases

- In the cooperative approach, the participating Party authorizes the use of ITMOs for NDC and OIMP
- For OIMP, the originating Party defines authorization as first transfer (2.b i)
- **Our understanding is that the earlier event applies**



No reporting required in the annual info

Does it mean that all transactions that preceded the authorization must be reported?