

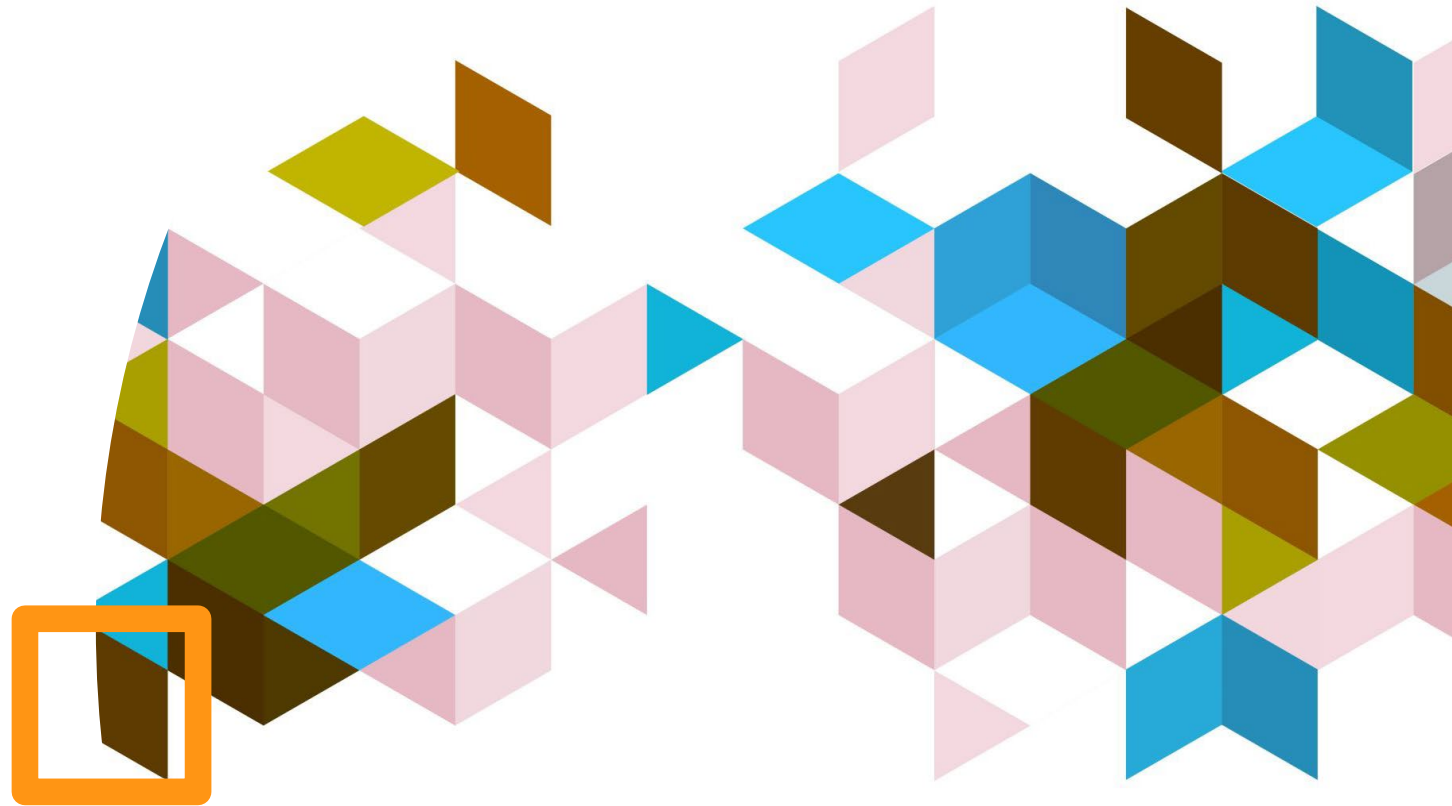


# Authorization: What Else It Is

**E3: Article 6 Authorisation – “Other possible  
authorisation elements”**

OECD | IEA | Climate Change Experts Group

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# COP26 outcomes are clear that Party authorizations are core to Article 6 implementation.

- Authorization is the trigger for applying Article 6.2 guidance.
  - It signals the Party's intention to account for underlying mitigation assets as ITMOs in tracking its NDC progress, achievement.
- “Authorization” in the Article 6 context indicates a Party's application of 6.2 guidance in respect of the authorized mitigation.
  - For host Party, includes applying adjustments for all first-transfers
  - For acquiring Party, includes the *option to* apply adjustments for ITMOs used
  - Provides for the mitigation to be exclusively counted by a user, provided the use is consistent with the host Party's authorization.
  - (Applying 6.2 guidance involves more than just applying adjustments in quantified reporting, as draft notes.)

Nature of authorizations is not prescribed in detail in current Article 6.2 decision—for range of reasons.


- True that Article 6.2 guidance does *not* specify **for a given Party or Parties engaging in a cooperative approach...**
  - “what is authorised,
  - by what process,
  - for what purpose,
  - the form and timing of authorisation, and
  - how any ex-post changes to authorisation are agreed”
- 6.2 guidance contains universal parameters, triggers, guardrails—and avoids unnecessary (or unauthorized) barriers to cooperation.
- Parties’ “legal and institutional frameworks for authorisation” are a key rationale for avoiding prescriptive multilateral guidance (and for some, for avoiding detailed Article 6.2 guidance on this topic).

## (To bear in mind:

- Relationship of A) Parties & ITMOs to B) private market actors & underlying tradable assets, i.e., carbon credits, allowances, etc.
  - In many cases, Parties will not directly exchange payments for mitigation outcomes. They account for the mitigation that is transacted by/between private market participants.
  - Looking at Example 7: Technically, Party A could indicate that it will account for mitigation eligible for and/or used toward “OIMP”—but won’t directly interact with the domestic supplier or that supplier’s buyer(s).
- Party approaches to authorizations will adapt and be refined (6.2 guidance accommodates positive drivers while minimizing risks)
- **Capacity building, cooperating Parties, private market experts** play critical role in informing credible, actionable authorizations.)



Authorizations should (and are simply likely to) include some “other information” or elements. Why?

- Market, investor, and / or partner country **confidence** as to what is authorized, and when, how, where they can confirm this.
  - To guard against the **risk of over-committing**, i.e., jeopardizing ability to meet NDC after accounting for ITMOs.
  - Opportunity to **strategically steer finance, demand** toward specific domestic technologies, sectors, mitigation actions.
  - Opportunity to **strategically reinforce specific strategies, markets**
  - Desire to **manage Party’s own liabilities, priorities, policy objectives**
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Necessary elements may vary by approach. Some mechanisms have already identified minimum needs.

Authorized Elements	Considerations
Cooperative approach	<u>Dedicated</u> authorization may not be necessary in all cases.
“ITMOs” (e.g.,....:)	An “umbrella” reference (Unless Party authorizes specific SN’s)?
Uses / Users	General (e.g., “CORSlA”; “any”) or specific (Party X; Org X)
Timeframe for use of mitigation	<ul style="list-style-type: none"> <li>- <u>Any</u> of these specifics, or a combination of them, can be helpful for estimating and managing volumes, timeframe</li> <li>- Some elements might be conveyed as a positive list (“ABC authorized) or / also exclude some sources or options (“everything that fits parameters ABC, except XYZ”; or “XYZ are not within authorized scope, unless on this list of “Y’s:”)</li> <li>- Such constraints may limit options for some market actors, but enhance certainty for all.</li> </ul>
Mitigation year(s) (+ other dates?)	
Certification(s) / market(s)	
Activity or quantification method(s)	
Activity type(s), sector(s), techs	
Source geography	
Proponent types (NGO-only? Any?)	
Amounts (transferred? Issued?)	Caps can be challenging vis-a-vis private transactions
Specific activities or methodologies	<i>If</i> Party has in place process for activity-specific approval

# Important to consider what information should be more or less variable—and what is already required.

- Some Party decisions identified in paper should not vary *by cooperative approach*, such as a Party's method for applying adjustments (in an IR).
- Some Party decisions identified in paper might vary *by cooperative approach*, but ideally *not in each authorization*.
  - E.g., Party's accounting "methods" in an initial report should indicate how a host Party defines "first transfer"—so that this is less variable information.
  - However, ICAO has already requested eligible mechanism to require that host Parties disclose this in their relevant authorizations, because it is otherwise unclear *whether and where* this must be disclosed.
- Some aspects identified in paper as "needing clarity in guidance" are addressed in guidance, e.g.,
  - IR trigger: "no later than authorization of ITMOs from a cooperative approach"
  - Reporting changes to earlier authorizations—required. Process for deciding or constraining those changes is up to cooperating Parties, their arrangements for governance and liability management.
    - (ICAO CORSIA [EUC and EUC Guidelines](#), [TAB Procedures](#) offer some examples)



Parties may wish to specify additional conditions, priorities, objectives; also, to manage expectations.

- **If and under what conditions an authorization would be updated / extended**
  - **Key dates / milestones** (for, e.g., applying adjustments, subsequent decisions)
  - **Liability / risk management strategies** (see CORSIA requirements for mechanisms to have procedures for compensating for double-claimed mitigation)
  - **Decentralized systems involved if specific to the authorization** (e.g., independent registry and/or tracking platform, relevant audit bodies, Party websites, information portals, forms, etc.)
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