

Concept Paper of the Article 6 Implementation Partnership

Ministry of the Environment, Japan (MOEJ)

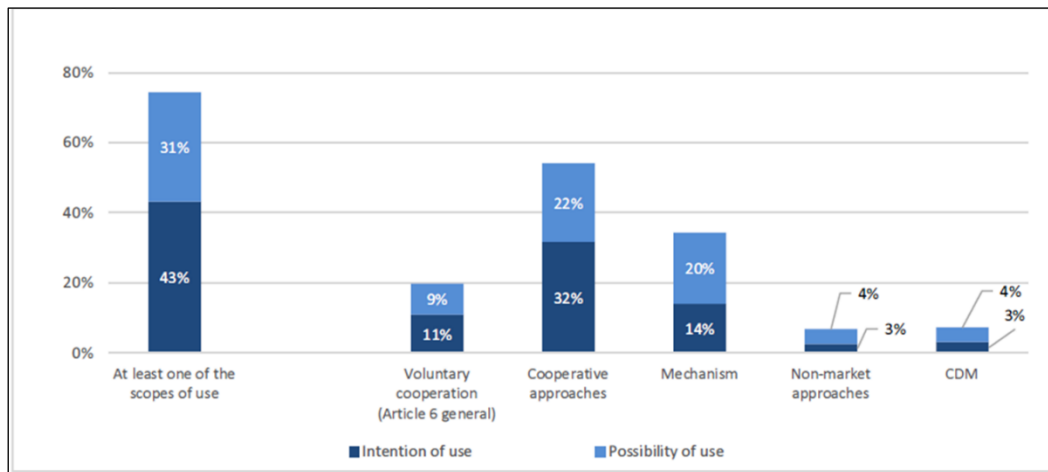
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I. Potential of Article 6

1. The Paris Agreement requires each Parties to prepare, communicate and maintain successive Nationally Determined Contributions (NDCs) that it intends to achieve.
2. In order to effectively proceed the mitigation of greenhouse gas emission globally, the Paris Agreement further rules market mechanisms under the Article 6.
3. At the COP26 in Glasgow, United Kingdom in 2021, rules of market mechanisms were adopted including the guidance on cooperative approaches referred to in Article 6, paragraph 2, rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, and work programme under the framework for non-market approaches referred to in Article 6, paragraph 8, of the Paris Agreement, respectively.
4. Expected impacts by the implementation of the Article 6 are:
 - (a) Promotion of more efficient and additional emission reductions. Once the market mechanism rules of Article 6 are fully implemented, reduction can be promoted in a more effective manner. More than 100 countries have expressed their willingness to use Article 6 in their updated NDCs.



Source: *Nationally determined contributions under the Paris Agreement. Synthesis report by the secretariat, FCCC/PA/CMA/2021/8*

Figure 1: Share of Parties indicating in NDCs the intention to use of possibility of using specific scopes of voluntary cooperation

- (b) Additional emission reductions. Experts have estimated that the implementation of Article 6 could lead to a reduction of an additional 4 - 12 billion tCO₂ emission per year by 2030 as below. This corresponds to 10% - 40% of global CO₂ emissions in 2018;

Additional reductions through Article 6 in 2030	References
9 billion tons CO₂/year	J. Edmonds et al. (2021). How much could article 6 enhance nationally determined contribution ambition toward Paris Agreement goals through economic efficiency? <i>Climate Change Economics</i> (2021) 2150007
4-5 billion tons CO₂/year	UNEP and UNEP DTU (2021) Emissions Gap Report: Heat is On, Chapter 7 The role of market mechanisms in bridging the emission gap
8 - 12 billion tons CO₂/year	TASKFORCE ON SCALING VOLUNTARY CARBON MARKETS Final Report (2021) January

Figure 2: Expected effects of Article 6

- (c) Stimulation of global carbon market as well as private investment. This can contribute to global emission reduction and countries' economic growth simultaneously. The market has the potential to mobilize US\$220 billion annually by 2030 (WB, 2017); and
- (d) Utilization of the implementation rules for the voluntary reduction efforts by private sector. The rules are important as it not only enables to transfer credits between countries but is also applied to private sector's voluntary reduction efforts, including in aviation sector.


II. What is needed for Article 6 Implementation?

International Conference for Implementing Article 6:

5. Japan hosted an international conference for implementing Article 6 on 17 February (1st part) and 7 March 2022 (2nd part), with 3 main objectives; (1) foster a common understanding of the decisions made on the Article 6 implementation guidelines at COP26 and the Article 6 work programme for 2022; (2) Discuss the development of institutional and governance frameworks as well as capacity-building needs based on the experience of Article 6 negotiations and piloting; and (3) discover areas where implementation can be accelerated by collaborating with stakeholders.

6. The overview and agenda of the conference were summarized below.

Overview



Hosts : Ministry of the Environment, Japan
 Institute for Global Environmental Strategies (IGES)

Support : UNFCCC Secretariat, COP26 and COP27 presidency

Dates : 17 February 2022 /7 March 2022

Participants: UNFCCC parties, International organizations, private companies
 *total:120 countries, over 1000 participants




Figure 3: Overview of the International Conference

Agenda

- ◆ Article 6 Decisions at COP26 and Work Programme for 2022(UNFCCC)
- ◆ Development of Institutional Arrangement and Capacity-building Needs Through Sharing Examples of Article 6 Implementation (Japan, Switzerland, Chile, Brazil, Senegal, Singapore, U.S, EU)
- ◆ Capacity-building support for early implementation of Article 6 of the Paris Agreement(UNFCCC RCC)
- ◆ Identification of institutional and governance arrangements for implementing Article 6 and capacity-building programme (IGES, Chile, Eastern Africa Alliance, West African Alliance, Asian Development Bank, World Bank, The International Emissions Trading Association)

Figure 4: Agenda of the International Conference

7. Identified points for successful implementation of Article 6 are summarized below:

- (a) Importance of the Article 6 decisions and its relations to NDCs. There is a need to have a clear understanding to implement it;
- (b) A need to prepare institutional arrangement to participate in Article 6. National coordination and institutional arrangement are required to carry out authorization and corresponding adjustments. It is possible to learn from existing mechanisms;
- (c) Utilization of Article 6.4 mechanism. The mechanism is expected as a tool to enhance ambition;
- (d) Reporting of Article 6. There is a need to discuss what is necessary for reporting Article 6, including in relation to data collection and corresponding adjustment; and
- (e) CORSIA and voluntary carbon markets. There are many experiences to learn from CORSIA.

8. Considering the points above, participants shared necessary elements for synergies and scale-up, which are;

- (a) Coordination of efforts, including Regional Collaboration Centres (RCCs), Parties, International Organizations, and private sector;
- (b) Sharing countries' experience on institutional arrangement for authorization and corresponding adjustments;
- (c) Support for pilot project and domestic tracking and recording infrastructure including registry;
- (d) Article 6 mechanism baselines and tools (experience of CDM standardized baselines, hands-on support); and
- (e) Scaling up of capacity-building activities (reporting training, replication through RCCs network for other regions)

Article 6 Implementation Partnership Preparatory Meeting:

9. Japan held another Article 6 related event – “the Article 6 Implementation Partnership Preparatory Meeting”, a preparatory meeting on a partnership for the implementation of the Article 6 of the Paris Agreement, in September 2022, in Kamakura, Japan. The Preparatory Meeting welcomed a total of 55 experts from 19 countries and 14 organizations who shared capacity-building activities on Article 6 implementation and discussed future collaboration and contents of activities for the Article 6 Implementation Partnership to be launched at COP 27.

Summary

- Hosts: **Ministry of the Environment, Japan and IGES**
- Date: **9 September 2022**
- Place: **Kamakura, Kanagawa Prefecture**
- Participants: **Experts from 19 countries and 14 organizations**
Australia, Bhutan, Brazil, Canada, Colombia, Egypt, EU, Gambia, Germany, India, Indonesia, Japan, New Zealand, Republic of Korea, Saint Kitts and Nevis, Saudi Arabia, Singapore, Thailand, UK, ADB, AILAC, East African Alliance, GGGI, IETA, IGES, Perspectives, UNDP, UNEP-CCC, UNFCCC, UNIDO, West African Alliance, World Bank



Opening remarks by YAMADA Miki, State Minister of the Environment, Japan



Group photo

Figure 5: Summary of the Preparatory Meeting

10. Key takeaways from the Preparatory Meeting:
- (a) There are three particular capacity building needs, agreed as important, for Article 6 implementation: (1) promotion of understanding to participate in the Article 6 implementation; (2) processes, such as corresponding adjustment, authorization, and reporting implemented under Article 6; and (iii) project formulation specific for emission reduction under Article 6 .
 - (b) A survey conducted by MOE on the Article 6 implementation shows that there are regional and country gaps between providing and receiving countries for Article 6 capacity building support. Therefore, importance of collaboration among organizations, countries, and regional alliances will grow further, so that capacity-building support reaches where needed efficiently, while avoiding duplication and competition.
 - (c) Countries and organizations providing capacity building supports have lessons learned, including both successes and failures, and those lessons should be shared among a wide range of stakeholders for better and effective capacity building.
 - (d) Private sector is looking for investment opportunities in mitigation projects and is increasing its interest in becoming carbon neutral. The willingness to participate in Article 6, the authorization process, transparency, interoperability with carbon markets, accountability, and capacity building are important to encourage companies' investment.

III. Example of experience in capacity building from the CDM

11. Lessons learned from capacity building of the clean development mechanism (CDM) was addressed in the discussion paper “Capacity building for Article 6 cooperation: The way forward” prepared by Perspectives Climate Research (2022) include:
- (a) **Coordinating Capacity Building:** Effective and sustainable capacity building requires coordination within and across countries, ministries and public and private stakeholders.
 - (b) **Customizing capacity building:** To be effective, capacity building needs to be customized for the countries and stakeholders in question (World Bank 2010). Japan’s Joint Crediting Mechanism (JCM) provides country-focused capacity building for small groups of host country stakeholders. In larger countries, a dedicated JCM secretariat has been set up that engages in capacity building for private sector players (Hindarto 2015).

- (c) **Widening capacity building, through knowledge-sharing and peer-to-peer learning:** Once a critical number of stakeholders has developed practical expertise, they can share it with their international peers (World Bank 2010).
- (d) **Sustaining capacity building:** Ensuring long-term outcomes of capacity building requires shifting the focus from predominantly short-term actions such as workshops to longer-term capacity building (Michaelowa 2005; Byigero et al. 2010; Christensen n.d.). Learning-by-doing through actual CDM projects is effectively a form of long-term capacity building.
- (e) **Localizing capacity building:** Effective and sustainable capacity building requires developing and retaining capacity in the host countries, to reduce reliance on external, ad hoc expertise. Local think tanks and public-private partnerships can play a key role in training new generations of local carbon pricing experts.

IV. Existing Article 6 capacity building activities and their scope

12. Based on the key findings from the conferences held in February and March in 2022, Japan conducted a survey to map out existing capacity building activities of Article 6 performed by countries, international organizations, and so forth. Shared information was summarized in the table below.

UN Agencies		Multi-lateral Development Banks	
UNFCCC	A6 CB support CMA.3 mandate	WB	PMI: Domestic carbon pricing Climate Market Club: Country Tech support Climate Warehouse: meta-Registry for Transparency
UNDP	Support establishment of ITMO operational processes	AfDB	Adaptation Benefit Mechanism(6.8)
To be added		To be added	
Country		Regional	
Germany	Advising government agencies and private sector actors on the opportunities provided by market-based instruments.	Eastern African Alliance	Supporting readiness to implement Article 6
U.K	Developed recommendations for capacity building	West African Alliance	Supporting Article 6 pilot experiences
New Zealand	Training to support developing countries to achieve Tier 2 reporting for the largest key sources of emissions	To be added	
Sweden	Development of transparency systems		
To be added			
Research			
Perspectives	Developing specific Article 6 methodology tools		
IGES	A6 reporting, transparency		
IETA	Temperate and tools for Private sector, WS on Article 6 readiness aimed at government officials, business representatives and carbon market experts of countries		
GGGI	Developing best practice tools and approaches to implement cooperative mechanisms		
GS	Offset pioneer CA tool document, Information sharing		
To be added			

Figure 6: Mapping of Article 6 capacity building activities (Based on the survey)

Content \ Regions		Regions								All regions (global)
		Asia	Eastern Europe & Central Asia	Europe	Latin America & the Caribbean	North Africa & the Middle East	Northern America	Oceania	Sub-Saharan Africa	
# of countries indicating the use of A6*		15	7	34	16	5	2	6	25	110
Global/regional A6 capacity building identified**	Participation	A6SF, trainings, dialogues etc./ADB							West Africa Climate Alliance Eastern African Alliance on Carbon Markets Ci-Dev/World Bank	
	Reporting	IPCOS/Australia			IPCOS/Australia			IPCOS/Australia	Global Research Alliance/NZ 6.2 and 6.4 /UNFCCC	
	Project development & implementation	Global Research Alliance/NZ	Global Research Alliance/NZ		Global Research Alliance/NZ				A6 Training WS, B-PMI /IETA, Allcot A6.2 TRA Project/UNDP PMI, TCAF, PMIF, Ci-Dev /World Bank A6 Early Movers Program/Gold Standard Expert Group Meeting/UNIDO Pipeline Analysis, SustDev Initiative for A6/UNEP CCCetc. C Market mechanisms WG, II-AMT /Perspectives CDP Catalyst for Climate action/UK	

*Countries indicated as “Yes” for using at least one type of market mechanism in the “IGES NDC Database Version 7.6 (October 2021)”.

**Data source: “A6 capacity building survey” results received by MOEJ between Mar.-Sept. 2022.

***This analysis is subject to assessment.

Figure 7: Current coverage of global/regional Article 6 capacity building

Content \ Regions		Regions								
		Asia	Eastern Europe and Central Asia	Europe	Latin America & the Caribbean	North Africa & the Middle East	Northern America	Oceania	Sub-Saharan Africa	All regions
# of countries indicating the use of A6*		15	7	34	16	5	2	6	25	110
% of countries with support for A6***	Participation	33%	0%	0%	25%	20%	0%	0%	60%	23%
	reporting	40%	0%	0%	25%	20%	0%	0%	32%	17%
	project development and implementation	60%	14%	0%	6%	40%	0%	0%	44%	22%

*Countries indicated as “Yes” for using at least one type of market mechanism in the “IGES NDC Database Version 7.6 (October 2021)”.

**Data source: “A6 capacity building survey” results received by MOEJ between Mar.-Sept. 2022.

***This analysis is subject to assessment.

Figure 8: Survey results of existing Article 6 capacity building related activities

13. The key finding from the survey includes the fact that various types of capacity building projects and initiatives, which often have targeting countries and supports, are already in place. For example;

- (a) Bilateral assistance is basically provided to countries with relations.
- (b) While the Partnership for Market Implementation (PMI), a World Bank's program, supports partner countries in developing domestic strategies, UNDP's NDC Support Programme serve 41 countries directly.
- (c) Research institutes provide services based on their specialties and accessibilities.
- (d) RCCs, which are originally established to promote the CDM in under-represented countries, provide assistance in reporting and baseline setting.

14. Though there are many programs on Article 6 implementation provided by various entities, **due to the lack of systematic coordination, only small number of countries have received the benefits even though there are more than 100 countries willing to use Article 6 in their NDCs.**

V. Synergies and scale up

15. According to the decisions made at COPs, various activities with specific timeframes are anticipated to be performed by Parties.

- (a) Parties under the Paris Agreement are required to submit their first biennial transparency report (BTR1) at the latest by 31 December 2024. After 2024, Parties are required to submit their BTRs applying corresponding adjustment.
- (b) Parties are requested to submit the next round of NDCs (new NDCs or updated NDCs) by 2025 and every five years, meaning that the NDCs should be submitted in 2025 and 2030.

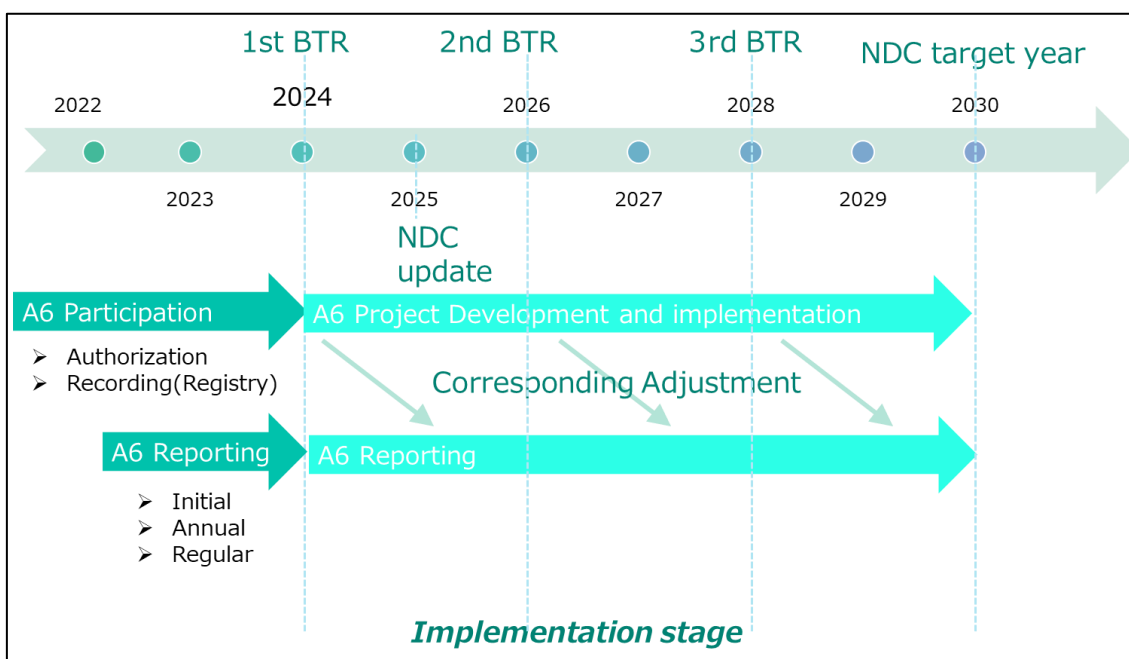


Figure 9: Article 6 Implementation Roadmap

16. For swift and robust implementation of Article 6, there are some prerequisites to participate in Article 6 and its reporting. As in the Decision 2/CMA.3, “Each Party participating in a cooperative approach that involves the use of ITMOs shall ensure that its participation in the cooperative approach and the authorization, transfer and use of ITMOs is consistent with this guidance and relevant decisions of the CMA”. The Decision 2/CMA.3 also mentions that “Each participating Party shall have, or have access to, a registry for the purpose of tracking and shall ensure that such registry records, including through unique identifiers, as applicable, authorization, first transfer, transfer, acquisition, use towards NDCs, authorization for use towards other international mitigation purposes, and voluntary cancellation (including for overall mitigation in global emissions, if applicable), and shall have accounts as necessary.”

17. Regarding corresponding adjustment, “Each participating Party shall apply corresponding adjustments in a manner that ensures transparency, accuracy, completeness, comparability and consistency.”

18. For better implementation of Article 6, following activities could be possibly provided.

- (a) Organizing conferences and workshops and **launching working groups to facilitate understanding of Article 6 rules and linkage with NDCs**
- (b) **Sharing countries’ experience of institutional arrangements** including authorization and recording through website, workshops, and etc.

- (c) Providing **technical support in 6.2 registry, international registry, and reporting**
- (d) Organizing **workshops for training and developing tools**

VI. Partnership scheme

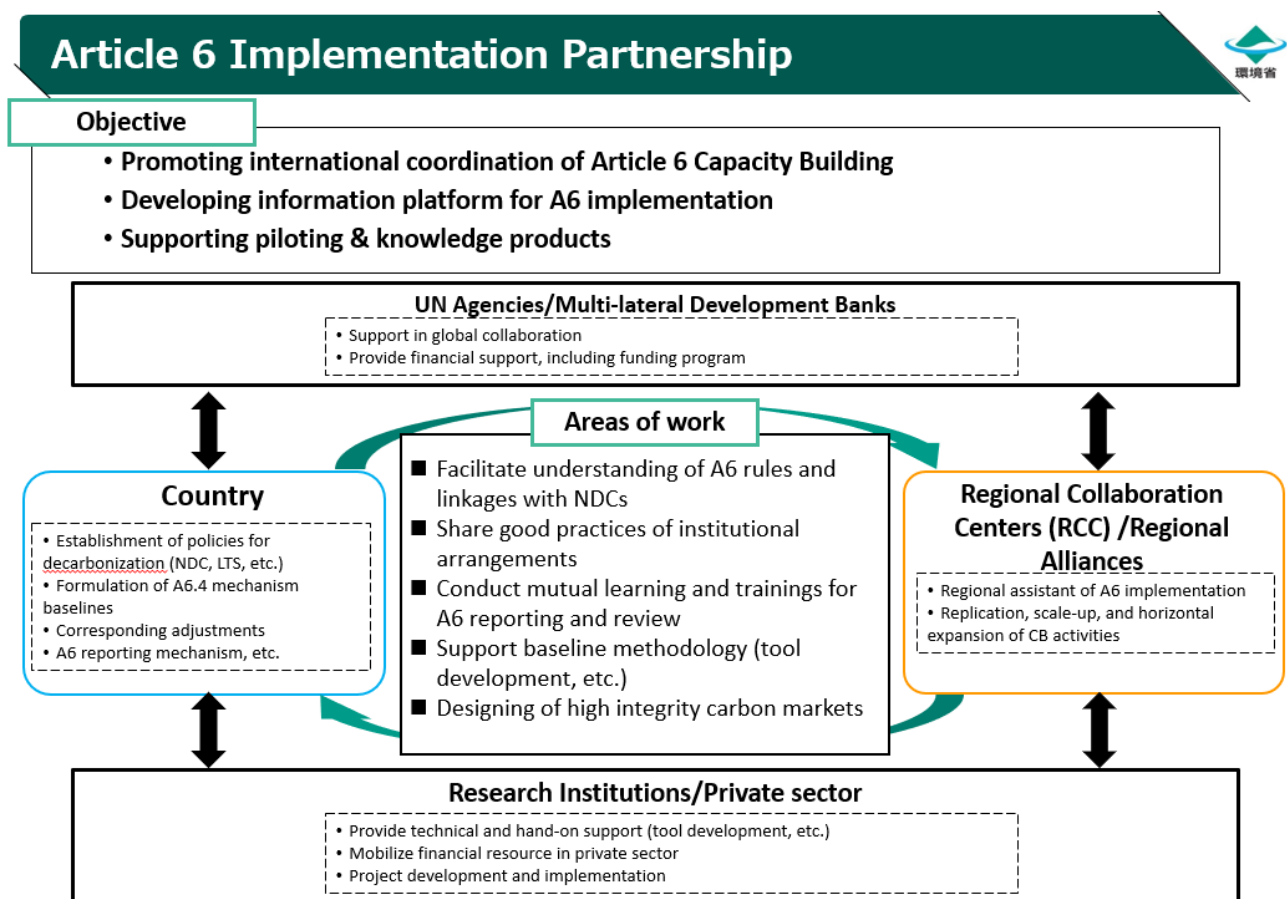


Figure 10: Structure of the Article 6 Implementation Partnership

19. Objectives of the Article 6 Implementation Partnership is to 1) promote international coordination of Article 6 Capacity Building, 2) develop information platform for Article 6 implementation, and 3) support piloting and knowledge products. For these objectives, the Partnership provides a venue and opportunities to all the interested countries and institutions to discuss the Article 6 Capacity Building.

20. **The area of work of the Partnership:**
- (a) **Facilitate understanding of A6 rules and linkage with NDCs**
 - (b) **Sharing of good practices of institutional arrangements incl. authorization and recording**
 - (c) **Implement Mutual learning and training for A6 reporting and review**
 - (d) **Support for baseline methodology (tool development, etc.)**
 - (e) **Designing of high integrity carbon markets**
21. **For better and smooth implementation of Article 6, activities are set as a milestone (Figure 11).**

2023	2024	2024 and beyond
<ul style="list-style-type: none"> • Start working groups on: 1. <u>Authorization</u> 2. <u>Registry</u> 3. <u>Reporting (initial, annual information)</u> 	<ul style="list-style-type: none"> • Support the submission of regular information under the 1st Biennial Transparency Report (BTR) • Support project development 	<ul style="list-style-type: none"> • Support the submission of regular information under BTR (including corresponding adjustments)

Figure 11: Timeline of activities of Article 6 Implementation Partnership

22. Given that capacity building for participation in and reporting on Article 6 is a priority, the next step will be to establish a working group on institutional arrangement for Article 6 participation and its reporting. According to Session E, Parties under the Paris Agreement are required to submit their first biennial transparency report (BTR1) at the latest by 31 December 2024. Support will be needed to create the report, especially for developing countries. Also, the year 2024 and beyond, Parties are requested to submit the NDCs every five years, therefore, regular support for BTR submission is expected.

References:

Perspectives Climate Research gGmbH, Capacity building for Article 6 cooperation:
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