

‘Straw man’
guidance on cooperative approaches
referred to in Article 6, paragraph 2 of the Paris Agreement

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Note to Reader

The “straw man” below is intended to catalyse a deep reflection and provide a useful background to discuss the structure, components and options for an Article 6.2 negotiating text. It was produced for the ICSTD project “Informal dialogue on the implementation of Article 6 of the Paris Agreement”.

We have based this paper on the

- Co-Facilitator’s informal note from SBSTA 47
- Party submissions to SBSTA
- Discussions during negotiations as well as in informal settings

When producing this text, we have tried to

- Avoid deleting options that were included in the co-Facilitators’ Note from SB 47 – we understand that some Parties believe that there is no merit for a number of issues to be included in negotiations, but have tried not to make that judgement.
- Eliminate duplication, while not eliminating options.
- Place issues and options in a logical order that we could understand and hopefully defend but which therefore may not be to everyone’s liking.
- See if there are issues and options that do not belong or, if so, only as a last resort.

We would also like to highlight that the document below includes the word OPTION when there is more than one approach to the same issue. When the choice is binary, that is we have that provision, or we don’t - then we don’t considered that to be an OPTION.

We have also tried to make sense of the relationship between Corresponding Adjustment (CA) and NDC Accounting, which we found to be quite challenging.

Article 6.2 of the Paris Agreement, as well as paragraph 36 of Decision 1/CP.21 are unclear when reference is made to Corresponding Adjustments. The lack of clarity relates to what is being adjusted, and when. As such, a number of interpretations of these provisions are emerging, as well as solutions for the guidance document that is mandated in Decision 1/CP.21.

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One way to interpret this is that there are 4 types of Parties:

- Acquiring Party: A Party that is participating in a Cooperative Approach, who receives by way of transfer-in an ITMO from another participating Party, and who may or may not also be the Using Party.
- Using Party: A Party that is participating in a Cooperative Approach who has received the ITMO, accounted for the receipt in accordance with Article 6.2 accounting guidance, and applied it towards its NDC.
- Issuing Party: A Party that is participating in a Cooperative Approach, in whose jurisdiction the mitigation action or avoidance of GHG [etc.] has occurred.
- Transferring Party: A Party that is participating in a Cooperative Approach and transfers out an ITMO to an Acquiring Party, for potential use towards its NDC. For the avoidance of doubt with respect to the very first international transfer of an ITMO, the Issuing Party is also the first Transferring Party.

There are many scenarios that one can envisage. The chain of transfers can be long and any Party may choose to transfer-in from many other Parties and transfer out an amount that is at variance with the amount transferred-in. What is needed is to be able to ensure that:

- There is a no double counting towards NDCs.
- For purposes of tracking and transfer between NDC periods, be aware where ITMOs reside at any time, and especially at the end of an NDC period (even if they are not used).

One approach would envisage that there is Cooperative Approach (CA) only at the beginning and the end of the transfer chain, by the Issuing Party and the Using Party respectively, for the purpose of NDC accounting. Even if there is a very long chain of transfers the only CA that will happen is at issuance and usage. In this interpretation, international transfers do not trigger a CA, the only CA is the one for NDC accounting purposes, which is done at the time of usage of the ITMO by the Using Party towards its NDC.

We see a number of problems with this approach. Although we recognise it as an option that needs to be considered, we do not feel that this approach makes the most sense. If the Issuing Party transfers ITMOs it should not have the benefit of the mitigation outcome anymore. We feel that this needs to be reflected in its NDC accounting. To have them available for use towards its NDC, it would need to reacquire them, even if the Party that holds them did not use them at the end of the NDC period towards its NDC.

Corresponding Adjustments made only for use may leave a lack of clarity on the status of the ITMOs in the hands of the Acquiring Parties and Transferring Parties (i.e. within the chain of transfers arising between the Issuing Party and Using Parties).

However, this approach poses challenges, including uncertainty for the Issuing Party (i.e. who cannot use it as it is already transferred) and whether it can use the mitigation outcome (MO) towards its NDC or whether some Using Party, down the transfer chain, will use it at the time of its NDC accounting.

An alternative approach would support a CA related to the transfer of the MO, and that a number, which is the net result of this CA, is then used for NDC accounting. Therefore, a CA occurs every time there is a transfer between Parties (whether an Issuing Party, Acquiring Party, Transferring Party or Using Party).

For example, in a Target (Budget) based approach, the NDC Adjusted number ($NDC(AN) = NDC \pm \text{number of ITMOs}^1$). Subsequently, the NDC accounting takes place at the end of the NDC period, which uses CA for the purpose of the NDC accounting.

In this scenario, the Issuing Party carries out a CA, which is in due course applied as part of the NDC accounting for the Issuing Party. There is a separate CA for every transfer between Parties, and finally, the CA position is applied towards the NDC accounting that takes place at the end of the NDC period (e.g. through the usage of the ITMOs by the Using Party towards its NDC).

In this scenario, it is clear that the Issuing Party no longer has access to the MO that it has issued and transferred, the location of the ITMO, and the balance of ITMOs in each Party is accounted for, and there is no double counting as the Using Party adjusts its NDC at the time of usage.

¹ In an emission-based approach this would be an Inventory Adjusted Number ($I-AN = \text{Party Inventory} \pm \text{number of ITMOs}$).

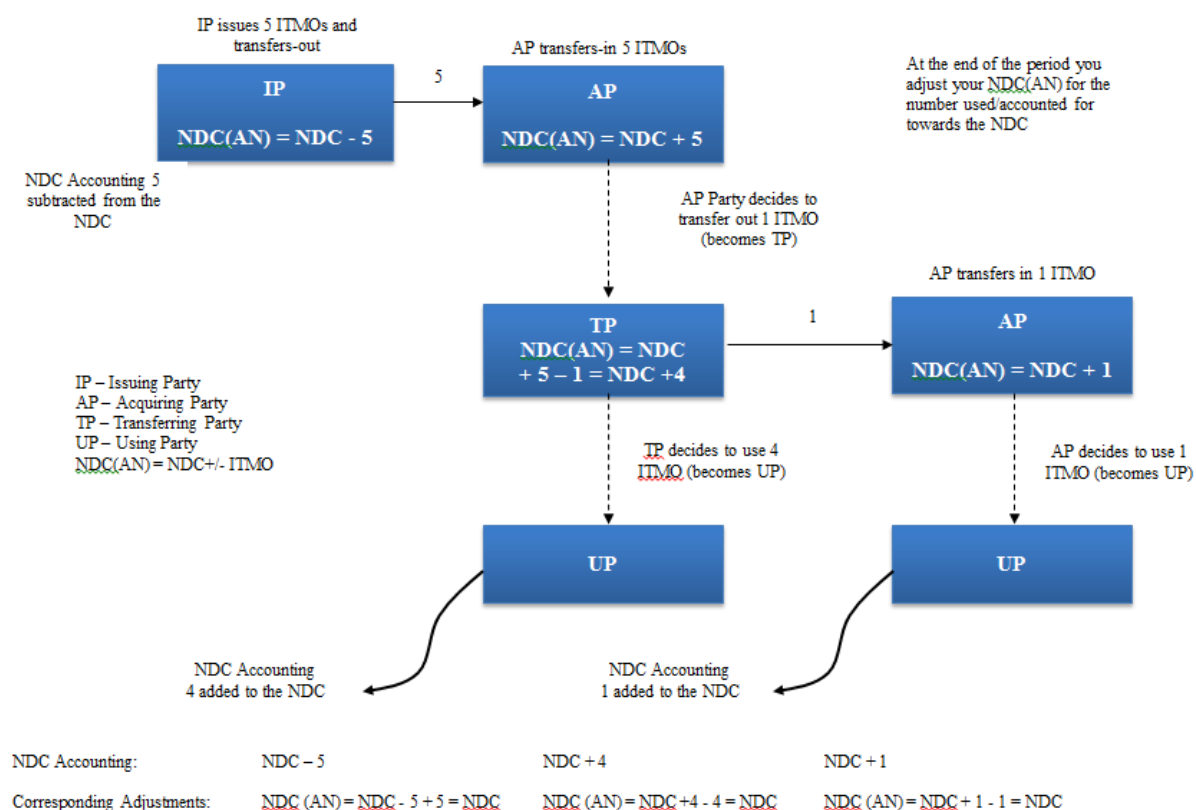


Figure 1- Corresponding Adjustments and Accounting using NDC-based approach

To visualize how the CA then correlates to the eventual NDC accounting at the end of the NDC period, we use a diagram adapted from the OECD workshop highlighting the application of the $NDC(AN)$ (Figure 2) and the $I(AN)$ (Figure 3 and Figure 4) respectively, in the target-based and emissions-based accounting approaches.

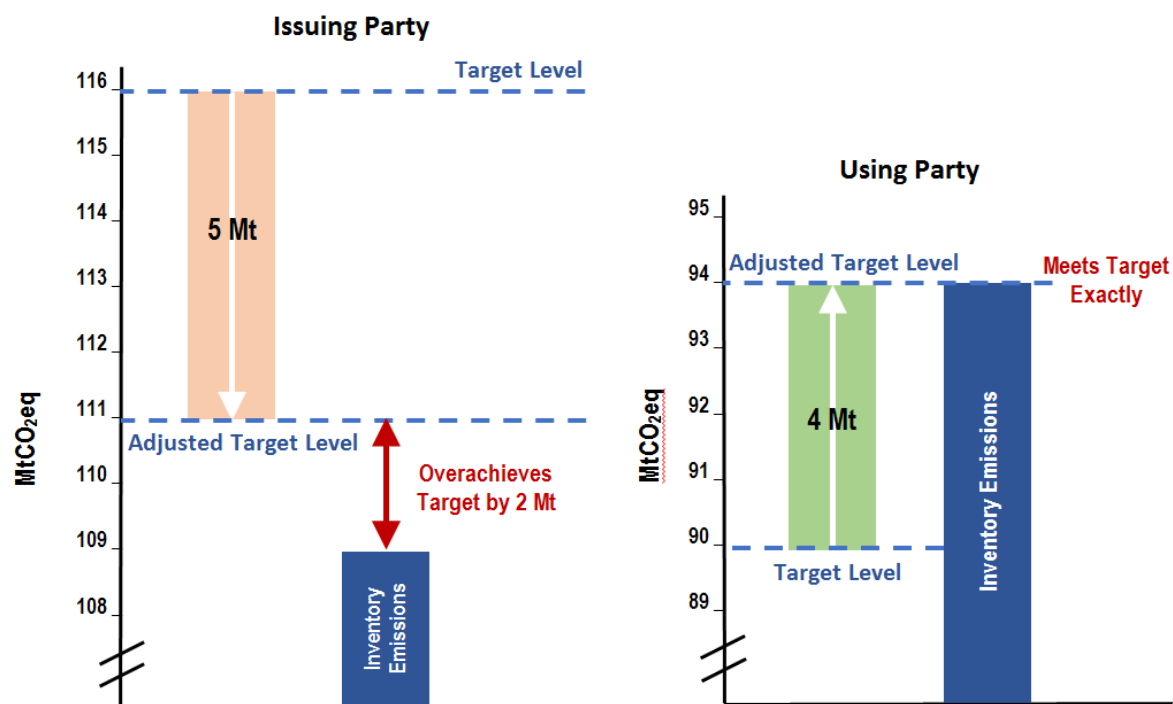


Figure 2 - Visualisation of accounting using a NDC-based approach. Figure adapted from Hood, C. (2017). OECD/IEA Workshop on “Corresponding Adjustment” as part of Article 6 accounting.

The accounting on a Target (budget) based approach is shown in Figure 2. For the Issuing Party, there is a subtraction, and for the Using Party there is an addition. For the Using Party, of the 5Mt purchased, only 4Mt is required to exactly cover the gap between inventory emissions and the target level, so the Using Party can transfer 1 ITMO and still meet its target. The Issuing Party’s inventory emissions (e.g. of 109Mt CO₂-eq) are 7Mt lower than its target of e.g. 116Mt CO₂-eq, so even after selling 5Mt to the Using Party it still over-achieves its target by 2M.

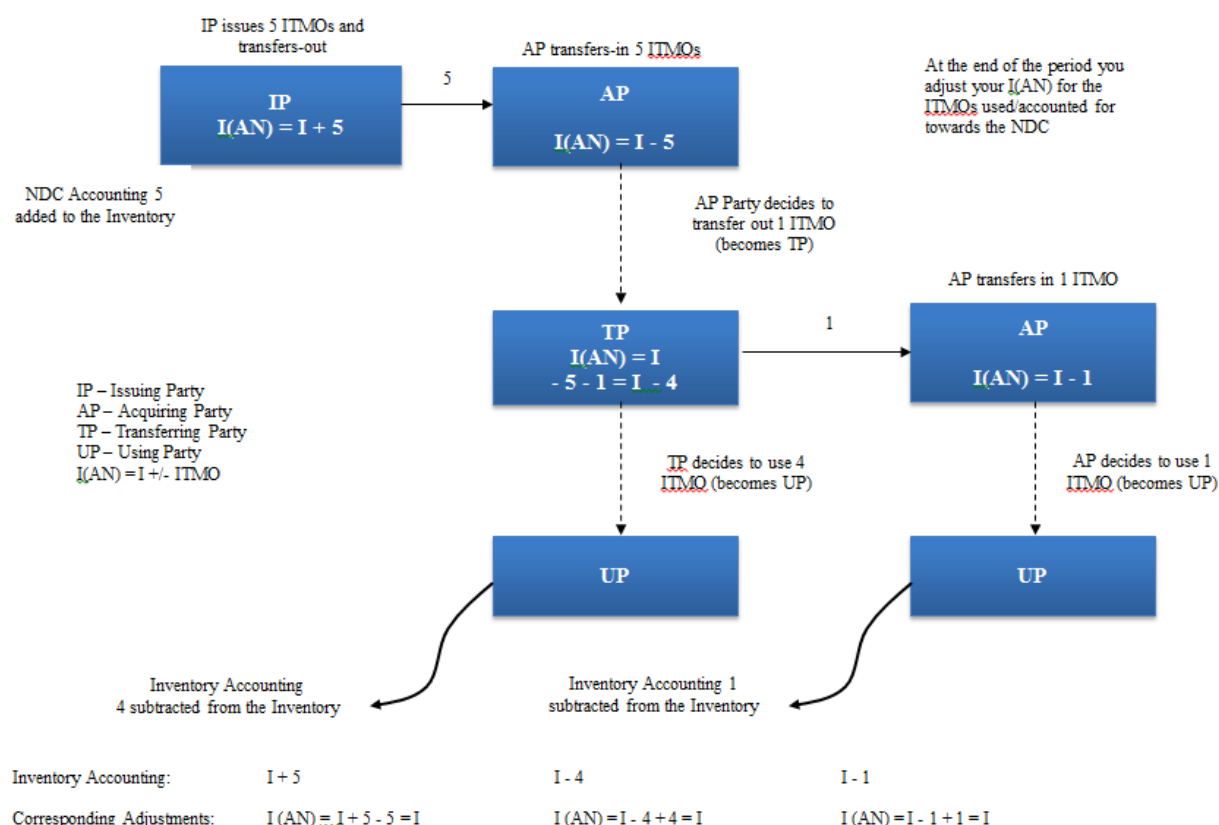


Figure 3 - Corresponding Adjustments and Accounting using an Inventory-based approach

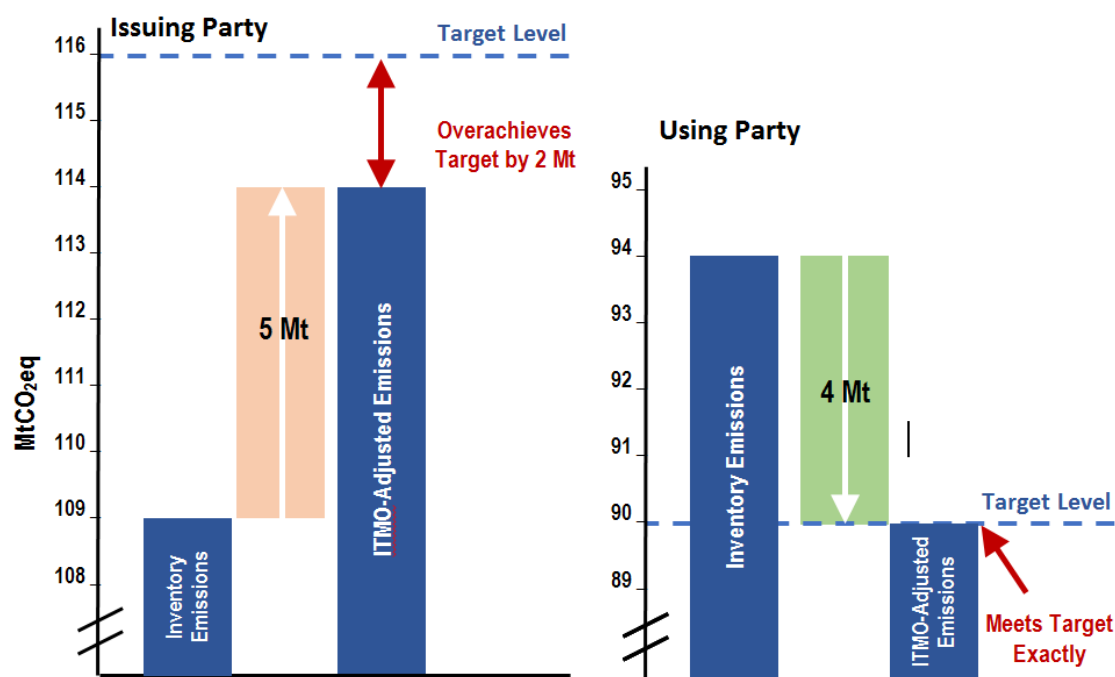


Figure 4 - Visualisation of accounting using an inventory-based approach. Figure adapted from Hood, C. (2017). OECD/IEA Workshop on “Corresponding Adjustment” as part of Article 6 accounting.

The accounting on an emissions-based approach is shown in Figure 4. For the Using Party, there is a subtraction, and for the Issuing Party there is an addition. For the Using Party, of the 5Mt purchased, only 4Mt is required to cover the gap between inventory emissions and the target level, so the Using Party can transfer 1 ITMO and meet its target exactly. The Issuing Party’s inventory emissions (e.g. of 109Mt CO₂-eq) are 7Mt lower than its target of e.g. 116Mt CO₂-eq, so even after selling 5Mt to the Using Party it still over-achieves its target by 2Mt.

1. PRINCIPLES

- 1.1 Parties may voluntarily choose to cooperate in the implementation of NDCs.
- 1.2 Paris Agreement is to be considered in its entirety and needs to take into account provisions under Art 2, Art 4.7, 4.13 and 4.15, Art 12, Art 13 and Art 15.
- 1.3 All provisions under Art 6 must allow for the increase in level of ambition in NDC.
- 1.4 All provisions under Art 6 need to ensure consistency between each other and consistency in the approach taken on Environmental Integrity in other parts of the PA and promote SD.
- 1.5 All guidance under Art 6 need to recognize and provide for the fact that a Party's contributions [in form [nature] and [higher] level of ambition] are nationally determined.

2. DEFINITIONS

- 2.1 **Acquiring Party** - A Party that is participating in a Cooperative Approach, who receives by way of transfer-in of an ITMO from another participating Party and who may or may not also be the Using Party.
- 2.2 **Using Party** – An Acquiring Party:
 - (a) Option: towards whose NDC an ITMO has been applied [and a Corresponding Adjustment has been made].
 - (b) Option: that has applied the ITMO towards [its NDC] / [other international mitigation action] / [voluntary climate actions] / [climate finance] and a Corresponding Adjustment has been made.
 - (c) Option: that has accounted for, in accordance with this Article 6.2 guidance, if not applied toward the NDC [and was transferred by an Issuing Party from Cooperative Approaches that fell within the Issuing Party's NDC].
- 2.3 **Issuing Party** – A Party that is participating in a Cooperative Approach, in whose jurisdiction the mitigation action has occurred.
- 2.4 **Transferring Party** - A Party that is participating in a Cooperative Approach and transfers out an ITMO to an Acquiring Party, for potential use towards its NDC. For the avoidance of doubt with respect to the very first international transfer of an ITMO, the Issuing Party is also the first Transferring Party.
- 2.5 **Cooperative Approaches** -
 - (a) Option 1: Two or more Parties working together on a voluntary basis through actions that can contribute to the implementation of their NDCs.

- (b) Option 2: [Mitigation outcomes (e.g. ETS) [including, enhancing removals of sinks and reservoirs / enhancement of removals (e.g. REDD)]], [avoidance of GHG (e.g. crediting schemes) [including those achieved under Article 6.4]], that are agreed between two or more participating Parties², involving GHGs that are [within the scope of the Issuing Party's NDC³] / [inside or outside the scope of the Issuing Party's NDC⁴]⁵ / [any GHGs within the scope of the PA], involving a sector [within the scope of the Issuing Party's NDC⁶] / [any sector whether within or outside the scope of the Issuing Party's NDC⁷, [except for LDCs]].

2.6 **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 avoid double counting of their respective anthropogenic emissions by sources and removals by sinks covered by their respective nationally determined contributions under the Agreement.

2.7 **Double counting** – within the context of Corresponding Adjustments, Parties must avoid double registration, double issuance, double claiming and double use. For these purposes:

- (a) Double claiming will occur when the Acquiring Party (in its capacity as Using Party) uses the ITMO towards its NDC without the Corresponding Adjustment for the Transferring Party having taken place.⁸
- (b) Double registration will occur when the same mitigation outcome [that the ITMO is meant to represent] is registered with multiple regulatory frameworks.
- (c) Double issuance will occur when a double registration leads to the creation of multiple [units] representing the same mitigation outcome [of which one representation is that of an ITMO].
- (d) [Double use occurs if the same ITMO is used twice to achieve a mitigation target (e.g. if the ITMO is duplicated in registries or if a Using Party uses the same ITMO in two different years to achieve its mitigation target).]

2.8 **Environmental integrity** – Parties shall ensure that any voluntary transfer of mitigation outcomes shall:

- (a) Option:

² For these purposes, a participating Party would need to be any of the Issuing Party, the Transferring Party, the Acquiring Party and the Using Party.

³ Source, Paragraph 12A(b)(i) sub(a) of the SBSTA note.

⁴ Source, Paragraph 12A(b)(i) sub(b) of the SBSTA note.

⁵ This is similar to the option under Multilateral Governance and Rules-Based System “Issuance of NDC permitted emission units.” Source, paragraph 23 sub(c) of the SBSTA Note

⁶ Source, Paragraph 12A(b) sub(a) of the SBSTA note.

⁷ Source, Paragraph 12A(b) sub(b) of the SBSTA note.

⁸ Taken from the Japanese submission.

- (i) Not result in a net increase in global emissions.
- (ii) Results in real, permanent and verified mitigation outcomes.
- (iii) Result from activities where the reference to calculate emission reductions shall be set well below BAU of the specific sector.
- (b) Option: be subject to a robust environmental governance rules issued by the CMA which will ensure that:
 - (i) One tonne of tCO₂e transferred is equivalent to one tCO₂e in atmospheric terms.
 - (ii) One tCO₂e transferred is not used more than once towards nay NDC of any Party.
- (c) Option: Meet standards of environmental integrity as defined by [Parties to the Cooperative Approach] [cooperating Parties] [and are reported to the CMA pursuant to the reporting requirements] [and subject to approval [review] by the CMA].
- (d) Option: Ensure environmental Integrity as determined by the governance of Article 6.2.

2.9 **Internationally Transferred Mitigation Outcome (ITMO)** – An ITMO is:

- (a) Option: Any [unit issued] / [amount reported by a Party for the purposes of accounting] pursuant to the successful achievement by the Issuing Party of its obligations under or pursuant to a Cooperative Approach. The [issuance of such unit]/[reporting of such amount] is subject to the governance, accounting and transfer requirements as set out in this guidance.
- (b) Option: Any mitigation outcome, resulting from domestic mitigation or adaptation measures, which is transferred from the Issuing Party to an Acquiring Party, and which may be used by that Party towards meeting its Nationally Determined Contribution (NDC).⁹
- (c) Option: Any mitigation outcome, expressed in units, resulting from domestic mitigation or adaptation measures, issued by Parties that have NDCs quantified in tCO₂e, equal in number to the NDC budget. These units are transferred between Parties, [and only Parties can [own]¹⁰ them].¹¹

⁹ Note that this proposed definition ignores any relationship between the ITMO and a Cooperative Approach.

¹⁰ Not clear whether this reference is intended to refer to possession rather than ‘ownership’ because question of passing of title are not intended to be addressed by the Article 6.2 guidance but could be determined by the terms of the Cooperative Approach.

¹¹ Note that this proposed definition ignores any relationship between the ITMO and a Cooperative Approach.

- (d) Option: Any mitigation outcome from an NDC, resulting from domestic mitigation or adaptation measures, quantified in tCO₂e, transferred between Parties, but without the attribute of unit, [and without any legal or regulatory standing].

2.10 Overall Mitigation of Global Emissions

- (a) Option: Not applicable to Article 6.2¹².
- (b) Option: Achieved through conservative baselines by the Issuing Party when mitigation outcomes are achieved through a baseline-and credit approach.
- (c) Option: Full accounting of the emission reductions by the Issuing Party, with [X] percentage cancellation¹³ of units at the point of use by the Using Party.¹⁴

3. GOVERNANCE

3.1 Role of CMA:

- (a) Option: No Supervisory Body
- (b) Option: Covered by other processes under the Paris Agreement including Article 13, Article 4.13 and Article 15.
- (c) Option: Establish Supervisory Body for Art 6.2, which may delegate specific decisions to dedicated bodies.

3.2 Functions for [CMA] / [Supervisory Body]:

- (a) Issue guidance on accounting.
- (b) Issue guidance on environmental integrity.
- (c) Review of guidance issued under (a) and (b).
- (d) Trigger review of guidance ahead of periodic review.
- (e) Issuance of ITMOs:
 - (i) Option: [Calculate] [and approve] issuance by Issuing Party of units according to calculated budget
 - (ii) Option: Confirmation of Party's [eligibility/preparedness] to [issue] ITMOs.

¹² Source, Paragraph 12E(a) sub(c) of the SBSTA Note.

¹³ Please note, at Paragraph 12E(b) sub(b) of the SBSTA Note, “discount” is used rather than cancellation but it is not clear why.

¹⁴ Source, Paragraph 12E(b) sub(a) of the SBSTA Note.

- (iii) Option: No role.
 - (f) Environmental Integrity:
 - (i) Option: Issue standards and methodologies for EI.
 - (ii) Option: Approve methodologies and baseline approaches for ITMOs issued from baseline-and-credit mitigation approaches for crediting-type systems [to a standard no less rigorous than Article 6.4].
 - (iii) Option: [Approve] [review] standards and methodologies adopted by Parties to reflect the guidance on common requirements in respect of all Cooperative Approaches.
 - (iv) Option: [Carry out] [supervise] third party technical review of the environmental integrity of [ITMOs][standards and methodologies adopted by Parties].
 - (v) Option: Approve the transfer of ITMOs proposed by the Transferring Party according to standards issued by the CMA.
 - (vi) Option: Certify conformity of Party's implementation of Article 6.2 guidance.
 - (g) Provide an appeals process for decisions of the Supervisory Body
- 3.3 Functions & role of the Secretariat:
- (a) In relation to Corresponding Adjustments:
 - (i) Option: Checking submitted information on Corresponding Adjustments.
 - (ii) Option: Compiling and cross-checking information submitted by Parties relating to Cooperative Approaches, ITMOs etc.
 - (iii) Option: Maintaining centralized accounting database.
 - (iv) Option: Administering any international transaction log used for the purposes of tracking ITMOs.
 - (b) Reporting on share of proceeds collected.
 - (c) Reporting on Overall Mitigation of global emissions delivered through cancellation.
 - (d) Checking conformity of Party's implementation of Article 6.2 guidance.

4. PARTICIPATION REQUIREMENTS

4.1 Requirements for all participating Parties:

- (a) Be a Party to the Paris Agreement.
- (b) Have submitted and be currently maintaining an NDC.
- (c) Have a designated national authority/focal point.
- (d) Have submitted a national inventory report, including a time series of emissions, at least biennially/annually.
- (e) Have fulfilled the requirements on reporting agreed under the transparency framework.
- (f) Have quantified its NDC and identified the relevant sectors and gases covered / annually.
- (g) Option: Have quantified its NDC in absolute emissions [/ emission caps].
- (h) Option: Have submitted an indicative emissions trajectory consistent with its long-term goals under its low emissions development strategy.
- (i) Option: Have economy wide target, absolute emissions, multi-year¹⁵.
- (j) Option: Have economy wide long term low emissions strategy¹⁶.
- (k) Option: Have provided biennial inventories consistent with long term trajectories.
- (l) Option: Have a system for identifying the origin of ITMOs/tracking the creation/issuance of ITMOs/tracking the international transfer and/or have access to a system for recording the use of ITMOs.
- (m) Special circumstances of LDCs and SIDs.
- (n) Have a system in place that ensure that human rights are not negatively impacted by the participation in Article 6.2.
- (o) Have a system in place that addresses the negative social and economic impacts of participating in Article. 6.2¹⁷.
- (p) Have authorized the international transfer of mitigation outcomes from the Cooperative Approach under Article 6.3 and have made that authorization public.

4.2 Further requirements for a Issuing Party:

¹⁵ Source, Paragraph 12H(b) sub(a)(v) of the SBSTA Note.

¹⁶ Source, Paragraph 12H(b) sub(a)(vi) of the SBSTA Note.

¹⁷ Source, Paragraph 21 of the SBSTA Note.

- (a) Option : There are no additional requirements for an Issuing Party (i.e. because they are the same requirements as would be for any Transferring Party).
- (b) Option:
 - (i) The Party has a system for setting a baseline in respect of the activity from which the mitigation outcome is issued/created.
 - (ii) The Party has a system for verifying that mitigation outcomes (that may be transferred) have been achieved and/or have access to a system for recording the use of ITMOs.
 - (iii) The Party can only issue ITMOs that have been generated post 2020 only.¹⁸
 - (iv) Have in place ways to address requirements to mitigate leakage risk.
 - (v) Have systems to ensure permanence, including systems to address reversal.
 - (vi) The Party has in place a system for determining sustainable development in accordance with national prerogative.
 - (vii) The Party provided a quantification report that has been assessed by a reviewer.
 - (viii) The Party has restrictions in sectors with high degree of uncertainty in emission estimates.¹⁹

4.3 Further requirements for a Transferring Party:

- (a) Option: Have a system for establishing a balance of ITMOs transferred and/or have access to a system for recording the use of ITMOs
- (b) Option: The Party has complied with the restrictions on types of transfers²⁰
- (c) Option: The Party's limits on transfers/overselling (e.g. may only transfer ITMOs up to a limit, calculated as a percentage of annual emissions or percentage of quantified NDC) have not been exceeded.²¹
- (d) Option: That the Party has restrictions in sectors with high degree of uncertainty in emission estimates.²²

¹⁸ Potentially could be treated as a characteristic of an ITMO.

¹⁹ Source, Paragraph 9C(g)(v) of the SBSTA Note.

²⁰ Source, Paragraph 9C(g)(iii) of the SBSTA Note

²¹ Source, Paragraph 9C(g)(ii) of the SBSTA Note.

²² Source, Paragraph 9C(g)(v) of the SBSTA Note.

4.4 Further requirements for an Acquiring Party:

- (a) Checks that the Transferring Party has achieved the relevant requirements.

4.5 Further requirements for a Using Party:

- (a) The Party has a system for establishing a balance of ITMOs transferred and/or has access to a system for recording the use of ITMOs.
- (b) The ITMOs proposed for use must have been generated post 2020 only.
- (c) [The Party has complied with its complementarity provisions] / [the Party does not have any complementarity provisions].

5. CORRESPONDING ADJUSTMENTS²³

5.1 Basis for Corresponding Adjustments:

- (a) Option: A Target [NDC] based approach – Applying corresponding adjustments to an NDC amount [expressed in the form of a budget that corresponds to the GHG emission level of the NDC][of the Transferring Issuing Party (or possibly to any budgets in non-GHG metrics) and the Acquiring Issuing Party], resulting in an NDC Adjusted Number (NDC(AN)) (i.e. where $NDC(AN) = NDC \pm \text{number of ITMOs}$) [to the emissions budget].
- (b) Option: An Emissions [Inventory]-based approach – applying corresponding adjustments to the total net GHG emissions level as reported [by the Transferring Issuing Party] through its GHG inventory [(or any non-GHG indicators used to track progress towards NDCs) and the Acquiring Using Party], resulting in an Inventory Adjusted Number (I(AN)) (i.e. where $I(AN) = \text{Inventory} \pm \text{number of ITMOs}$) through a (+/-) to the reported GHG emissions level.
- (c) Option: Buffer account approach – addition or subtraction of ITMO transfers and acquisitions from an established balance [separate from emissions inventory or NDC], with a starting balance of zero.
- (d) Option: Parties can choose from any of the above and apply consistently but accounting rules must be able to compare and accommodate those varying choices between parties.

5.2 Approach, Method and Timing of Corresponding Adjustment:

Party	Approach	Method	Timing
All parties	Parties can		Option: At the time of

²³ In any option that is adopted, consideration will have to be give to the impact of single year NDC targets vs multi-year NDC targets.

Party	Approach	Method	Timing
	choose from any of the above but accounting rules must be able to compare and accommodate those varying choices between parties.		submitting information per Article 13.7 ²⁴
			Option: All/some of the below ²⁵
[The ITMOs was created from inside the NDC]	[Option: The ITMOs ensure environmental integrity, according to the governance of Art 6.2]	[Option: The ITMOs meet restrictions in sectors with high degree of uncertainty in emission estimates] ²⁶	
Issuing Party	A target-based approach expressed in the form of a budget that corresponds to the GHG emission level of the NDC (or possibly to any budgets in non-GHG metrics)	effecting a subtraction ²⁷ to the NDC Adjusted Number (NDC(AN)) of the Issuing Party's NDC.	At creation/issuance of ITMO ²⁸ [only where the mitigation outcome is issued from [inside/outside/irrespective of inside or outside] the NDC] ^{29 & 30}
	Emissions-based approach (i.e. calculation of quantity of	effecting an addition ³² to the Inventory Adjusted	

²⁴ Source, Paragraph 12F(e) of the SBSTA Note.

²⁵ Source, Paragraph 12F(f) of the SBSTA Note.

²⁶ Source, Paragraph 12H(a) sub(a)(v) of the SBSTA Note.

²⁷ Source, Paragraph 12B(a) sub-(a) of the SBSTA Note.

²⁸ Source, Paragraph 12F(a) of the SBSTA Note.

²⁹ Source paragraph 12(c)(b) of the SBSTA Note

³⁰ Source, paragraph 12(c)(a) of the SBSTA Note.

Party	Approach	Method	Timing
	emission reductions required for NDC achievement) ³¹	Number (I(AN)) of the Issuing Party.	
	buffer registry	effecting an addition and/or subtraction ³³ of transfers and acquisitions from an established balance separate from emissions inventory or NDC, starting balance of zero ³⁴	
	Emission reductions-based approach	effecting a subtraction ³⁵	
Transferring Party	A target-based approach expressed in the form of a budget that corresponds to the GHG emission level of the NDC (or possibly to any budgets in non-GHG metrics)	effecting a subtraction to the NDC Adjusted Number (NDC(AN)) of the Issuing Party's NDC. ³⁶ [Note: if the Transferring Party is the Issuing Party, no further adjustment need	The corresponding adjustment will take place at transfer of the ITMO ³⁷ [only where the mitigation outcome is issued from [inside/outside/irrespective of inside or outside] the NDC] ^{38 & 39}

³² Source, paragraph 12B(a) sub-(b) of the SBSTA Note.

³¹ Source Paragraph 12A(a) sub(d) of the SBSTA Note.

³³ Source, paragraph 12B(a) sub-(c) of the SBSTA Note.

³⁴ Source Paragraph 12A(a) sub(c) of the SBSTA Note.

³⁵ Source, paragraph 12B(a) sub-(d) of the SBSTA Note.

³⁶ Source, paragraph 12C(a) sub-(a) of the SBSTA Note.

³⁷ Source, Paragraph 12F(b) of the SBSTA Note.

³⁸ Source paragraph 12(c)(b) of the SBSTA Note

³⁹ Source, paragraph 12(c)(a) of the SBSTA Note.

Party	Approach	Method	Timing
		be made beyond that made at time of issuance]	
	Emissions-based	effecting an addition ⁴⁰ to the Inventory Adjusted Number (I(AN)) of the Transferring Party. ⁴¹ [Note: if the Transferring Party is the Issuing Party, no further adjustment need be made beyond that made at time of issuance]	
	buffer registry	effecting an addition and/or subtraction ⁴²	
	Emission reductions-based approach	effecting a subtraction ⁴³	
Acquiring Party	Target-based	effecting an addition ⁴⁴ to the NDC Adjusted Number (NDC(AN)) of the Issuing Party's NDC.	The corresponding adjustment will take place at acquisition of the ITMO ⁴⁵

⁴⁰ Source, paragraph 12C(a) sub-(b) of the SBSTA Note.

⁴¹ Source, paragraph 12C(a) sub-(a) of the SBSTA Note.

⁴² Source, paragraph 12C(a) sub-(c) of the SBSTA Note.

⁴³ Source, paragraph 12C(a) sub-(d) of the SBSTA Note.

⁴⁴ Source, paragraph 12C(a) sub-(a) of the SBSTA Note.

⁴⁵ Source, Paragraph 12F(c) of the SBSTA Note.

Party	Approach	Method	Timing
	Emissions-based	effecting a subtraction ⁴⁶	
	buffer registry	effecting an addition and/or subtraction ⁴⁷	
	emission reductions-based approach	effecting an addition ⁴⁸	
Using Party	Target-based approach [expressed in the form of a budget that corresponds to the GHG emission level of the NDC (or possibly to any budgets in non-GHG metrics)]	<p>effecting an addition⁴⁹ to NDC Adjusted Number (NDC(AN)) of the Using Party's NDC and thereafter determining the amount of the NDC(AN) to be applied in accordance with Section 6.1 (<i>Final Accounting for ITMOs in achieving NDCs</i>) below.</p> <p>[Note: if the Using Party is the Acquiring Party, no further adjustment need be made beyond that made at point of acquisition]</p>	The corresponding adjustment will take place at acquisition of the ITMO ⁵⁰ [/ is cancelled due to usage for purposes unrelated to the Using Party's NDC].

⁴⁶ Source, paragraph 12C(a) sub-(b) of the SBSTA Note.

⁴⁷ Source, paragraph 12C(a) sub-(c) of the SBSTA Note.

⁴⁸ Source, paragraph 12C(a) sub-(d) of the SBSTA Note.

⁴⁹ Source, paragraph 12D(a) sub-(a) of the SBSTA Note.

⁵⁰ Source, Paragraph 12F(d) of the SBSTA Note.

Party	Approach	Method	Timing
	Emissions-based	effecting a subtraction ⁵¹ to the Inventory Adjusted Number (I(AN)) of the Using Party and thereafter determining the amount of the I(AN) to be applied in accordance with Section 6.1 (<i>Final Accounting for ITMOs in achieving NDCs</i>) below. [Note: if the Using Party is the Acquiring Party, no further adjustment need be made beyond that made at point of acquisition]	
	buffer registry	effecting an addition and/or subtraction ⁵²	
	emission reductions-based approach	effecting an addition. ⁵³	
	where used for other purposes (i.e. not related to NDC)	corresponding adjustments where required. ⁵⁴	

⁵¹ Source, paragraph 12D(a) sub-(b) of the SBSTA Note.

⁵² Source, paragraph 12D(a) sub-(c) of the SBSTA Note.

⁵³ Source, paragraph 12D(a) sub-(d) of the SBSTA Note.

⁵⁴ Source, Paragraph 12G(ii) of the SBSTA Note

6. ACCOUNTING

6.1 Final Accounting for ITMOs in achieving NDCs:

- (a) Option: Use Article 4.13
 - (i) Forward the number in the Buffer account resulting from Corresponding Adjustment information to Article 4.13, where the NDC accounting will be done.
 - (ii) Use the Corresponding Adjustment amount together with its Inventory and NDC towards showing its meeting the NDC.
- (b) Option: Reporting under Article 6.2 of the achievement of NDC with the use of ITMOs

At the end of the NDC period

- (i) The Using Party will use a number of ITMOs towards their NDCs.
- (ii) Cancel ITMOs equal to the number of ITMOs used in showing its meeting the NDC.
- (iii) At the end of the period you adjust your NDC(AN) or I(AN), as applicable, for the ITMOs used/accounted for towards the NDC.⁵⁵

6.2 Accounting Limits:

Quantitative Limits on Issuing Party

- (a) Option: No limits on issuance of ITMOs.⁵⁶
- (b) Option: Limits based on NDC budget⁵⁷
 - (i) Parties should calculate how many tCO₂e they would be allowed to emit in the end year of their NDC, when achieving their own NDC mitigation commitment.
 - (ii) The end year tCO₂e allowance should be multiplied by the number of years in a given NDC time frame.
 - (iii) The resulting figure should be converted into an equivalent pool of units, each corresponding to one tCO₂e.

⁵⁵ Please note that the determination of any unused ITMOs will be addressed by the Party that is holding the ITMOs and whether, at the end of the NDC period, the Accounting Guidance under Article 6.2 requires those unused ITMOs to be banked/carried over or cancelled.

⁵⁶ Source, Paragraph 12H(a) sub(b) of the SBSTA Note.

⁵⁷ Brazil submission to SB 46.

- (iv) If its NDC end year tCO₂e allowance is superior to the average annual emissions for the years preceding the NDC timeframe, as shown in its last inventories, such a difference multiplied by the number of years in the given NDC time frame for the Party would be reserved for domestic use only (retirement) – i.e., demonstrate achievement of the NDC. In other words, such difference would not be eligible for international transfers.

Quantitative Limits on Transferring Party

- (c) Option: No limits on transfers⁵⁸
- (d) Option: Parties may only transfer ITMOs up to a limit, calculated as a [percentage of annual emissions] [percentage of quantified NDC].⁵⁹

Quantitative limits on Using Party

- (e) Option: No limits.⁶⁰
- (f) Option: Quantitative restrictions on carry-over.⁶¹
- (g) Option: No use of pre-2020 units post 2020.⁶²
- (h) Option: Limits on use of vintages.⁶³
- (i) Option: Limits on the percentage of NDC compliance that can be achieved through the use of ITMOs.⁶⁴
- (j) Option: ITMOs not to be used for NDC purposes if used for non-UNFCCC purposes (e.g. ICAO).⁶⁵

Qualitative limits for Using Party of ITMOs towards NDCs

- (k) The ITMOs can be used towards NDC by the Using Party if:
 - (i) The ITMOs ensure environmental integrity, according to the governance of Art 6.2.
 - (ii) The ITMOs meet restrictions in sectors with high degree of uncertainty in emission estimates.⁶⁶
 - (iii) The ITMOs was created from inside the NDC.⁶⁷

⁵⁸ Source, Paragraph 12H(a) sub(b) of the SBSTA Note.

⁵⁹ Source, Paragraph 12H(a) sub(a)(ii) of the SBSTA Note.

⁶⁰ Source, Paragraph 12H(b) sub(b) of the SBSTA Note.

⁶¹ Source, Paragraph 12H(a) sub(a)(iv) of the SBSTA Note, also at 12H(b) sub(a)(ii) of the SBSTA Note.

⁶² Source, Paragraph 12H(a) sub(a)(vi) of the SBSTA Note

⁶³ Source, Paragraph 12H(b) sub(b)(iii) of the SBSTA Note

⁶⁴ Source, Paragraph 12H(b) sub(a)(iv) of the SBSTA Note

⁶⁵ Source, Paragraph 12G(i) of the SBSTA Note.

⁶⁶ Source, Paragraph 12H(a) sub(a)(v) of the SBSTA Note.

- (iv) Have not had a negative impact on human rights.
- (v) Have not had negative social and economic impact on any Party.
- (vi) The ITMOs must have been generated post 2020 only.
- (vii) Have delivered sustainable development co-benefits.

6.3 Specific guidance for single year NDCs:

- (a) Option: No specific guidance for single year targets.⁶⁸
- (b) Option: ITMOs internationally transferred in each period are reflected in the biennial reports under Article 13.7.⁶⁹
- (c) Option: Representative transfer of ITMOs over the NDC implementation period accounted in the NDC target year.⁷⁰

Guidance for Issuing Party

- (d) Option: International transfer of ITMOs limited to mitigation in the NDC target year (i.e. vintage limit).⁷¹
- (e) Option: International transfer of ITMOs outside the NDC target year, with no corresponding adjustment.⁷²
- (f) Option: International transfer of ITMOs compared to an emissions trajectory throughout the NDC implementation period (e.g. ITMO transfers distributed throughout the NDC implementation period based on an emissions trajectory consistent with NDC achievement).⁷³
- (g) Option: Average international transfer of ITMOs over the NDC implementation period applied in the NDC target year (e.g. ITMOs accounted in target year equal ITMOs transferred over the NDC implementation period divided by number of years in the period).⁷⁴

Guidance for Using Party

- (h) Option: Use of ITMOs limited to those with same vintage as the NDC target year.⁷⁵

⁶⁷ Source paragraph 12(c)(b) of the SBSTA Note.

⁶⁸ Source, Paragraph 12B(b) sub(h) and 12D(b) sub(h) of the SBSTA Note.

⁶⁹ Source, Paragraph 12B(b) sub(f) and 12D(b) sub(f) of the SBSTA Note.

⁷⁰ Source, Paragraph 12B(b) sub(g) and 12D(b) sub(g) of the SBSTA Note.

⁷¹ Source, Paragraph 12B(b) sub(a) of the SBSTA Note.

⁷² Source, Paragraph 12B(b) sub(b) of the SBSTA Note.

⁷³ Source, Paragraph 12B(b) sub(c) of the SBSTA Note.

⁷⁴ Source, Paragraph 12B(b) sub(d) of the SBSTA Note.

⁷⁵ Source, Paragraph 12D(b) sub(a) of the SBSTA Note.

- (i) Option: Use of the cumulative ITMOs throughout the NDC implementation period towards the single-year NDC.⁷⁶
- (j) Option: Use of ITMOs compared to an emissions trajectory throughout the NDC implementation period (e.g. ITMO use is distributed throughout the NDC implementation period based on an emissions trajectory consistent with NDC achievement).⁷⁷
- (k) Option: Use of average ITMO acquisitions/average ITMO use over the NDC implementation period in the NDC target year (e.g. ITMO use in target year equals ITMO use over period divided by number of years in period).⁷⁸

7. REPORTING

7.1 Reporting for all participating Parties:

- (a) All participating Parties in any “Cooperative Approach” shall present as part of their biennial transparency report, submitted under Article 13 of the Paris Agreement, tabular information containing.
 - (i) Initial calculation of emission allowance, estimated according to methods established under the [“accounting limits” (section 6.2)][“account approach”];
 - (ii) Actual cumulative emissions and removals per year over the NDC implementation period, according to national inventory report, submitted as part of its biennial transparency report;
 - (iii) Adjusted [emissions][balance][budget] over the NDC implementation period, estimated according to methods established under the “Corresponding Adjustments” (section 5);
 - (iv) Accounting summary report on expiration of NDC, estimated according to methods established under [“Final accounting” (section 6.1)][“account approach”].
- (b) All participating Parties in any “Cooperative Approach” shall present as part of its biennial transparency report, submitted under Article 13 of the Paris Agreement, a description of:
 - (i) Demonstration of the environmental integrity of the ITMOs [issued][transferred][acquired][used] according to definition (section 2.8) and guidance established (section 3.2).
 - (ii) Evidence that ITMO is real, permanent, additional and verified.

⁷⁶ Source, Paragraph 12D(b) sub(b) of the SBSTA Note.

⁷⁷ Source, Paragraph 12D(b) sub(c) of the SBSTA Note.

⁷⁸ Source, Paragraph 12D(b) sub(d) of the SBSTA Note.

- (iii) How the transferred ITMOs satisfy environmental integrity.
- (iv) [Issuance of ITMOs][transfer of ITMOs][acquisition of ITMOs][use] promotes sustainable development,
 - (1) Option: in the context of the Party's national prerogative.
 - (2) Option: in the context of Party's implementation of the Sustainable Development Goals.⁷⁹
- (v) How the Cooperative Approach is consistent with the Party's long-term strategy.
- (vi) How the [issuance][transfer][acquisition][use] of ITMOs is consistent with progression over time.
- (c) For Parties that will not follow the guidance for accounting established under Article 4, paragraph 13 of the Paris Agreement, additional information about the accounting approach and its relation with the "Cooperative Approach", shall be present as part of its biennial transparency report, submitted under Article 13 of the Paris Agreement, including:
 - (i) Option: Contribution of "Cooperative Approach" to achievement of NDC.
 - (ii) Option: Contribution of "Cooperative Approach" to mitigation of emissions.
 - (iii) Updating of accounting approach (NDC, emissions-based, buffer registry).
 - (iv) Demonstration of achievement of NDC.
- (d) All participating Parties in any "Cooperative Approach" shall present as part of its biennial transparency report, submitted under Article 13 of the Paris Agreement, annexes containing information on:
 - (i) Party of origin of ITMOs.
 - (ii) Option: Characteristics of units, information on originating programmes.
 - (iii) Option: Source (sector and scope) of Cooperative Approach that led to issuance/creation of ITMOs.
 - (iv) Vintage/time period of ITMOs.

⁷⁹ Source, Paragraph 13B(iii) of the SBSTA Note.

- (v) Evidence that the use of ITMOs has been authorised [by the Issuing Party][in accordance with Article 6.3].

7.2 Timing:

- (a) Option: Upfront/ex-ante.⁸⁰
- (b) Option: Periodically (i.e. for each biennial report).⁸¹
- (c) Option: At the time of submitting each report under Article 13.7⁸²
- (d) Option: At the time of transfer.⁸³
- (e) Option: At the time of final NDC accounting.⁸⁴
- (f) Option: All/some of above.⁸⁵

8. INFRASTRUCTURE

- 8.1 Option: Each Party participating in a Cooperative Approach under Article 6.2 must have a national registry connected to an international transaction log⁸⁶ [operated by the CMA].
- 8.2 Option: Each Party participating in a Cooperative Approach under Article 6.2 must use a standard reporting table/format, including information on Party of origin of ITMOs, characteristics of units, originating programmes plus retain a [publically accessible] central database where additions and subtractions are recorded after review.⁸⁷
- 8.3 Option: Each Party participating in a Cooperative Approach must have a national registry plus use a standard reporting table, including information on Party of origin of ITMOs, characteristics of units, originating programmes.⁸⁸
- 8.4 Option: Each Party participating in a Cooperative Approach must have a national Buffer account.⁸⁹
- 8.5 Option: Each Party participating in a Cooperative Approach must have a database connected to a centrally accessible distributed ledger using blockchain technology.⁹⁰

⁸⁰ Source, Paragraph 13E sub(a1) of the SBSTA Note.

⁸¹ Source, Paragraph 13E sub(b1) of the SBSTA Note.

⁸² Source, Paragraph 13E sub(a2) of the SBSTA Note.

⁸³ Source, Paragraph 13E sub(b2) of the SBSTA Note.

⁸⁴ Source, Paragraph 13E sub(c) of the SBSTA Note.

⁸⁵ Source, Paragraph 13E sub(d) of the SBSTA Note.

⁸⁶ Source, paragraph 10(a) of the SBSTA Note.

⁸⁷ Source, paragraph 10(b) of the SBSTA Note.

⁸⁸ Source, paragraph 10(c) of the SBSTA Note, also at Paragraphs 10(e) of the SBSTA Note.

⁸⁹ Source, paragraph 10(d) of the SBSTA Note.

⁹⁰ Source, paragraph 10(f) of the SBSTA Note, also at Paragraph 10(i) of the SBSTA Note.

- 8.6 Option: Each Party participating in a Cooperative Approach must have some or all the above depending on nature of participation (Transferring or Acquiring Party).⁹¹

9. APPLICATION OF SHARE OF PROCEEDS FOR ADAPTATION

- 9.1 Option: No share of proceeds on Article 6.2⁹²

- 9.2 Option: Include a share of proceeds on Article 6.2⁹³

- (a) Option: Calculated on the basis of [X] percentage collected at [first international transfer]⁹⁴ [, consistent with Article 6.4].^{95&96}
- (b) Option: Calculated at a [diminishing] [increasing] rate⁹⁷ with each transfer.
- (c) Option: Share of proceeds to be collected only from transfers arising from crediting approaches [similar to activities under Article 6.4] implemented by Parties.⁹⁸
- (d) Any share of proceeds collected shall be added to the Adaptation Fund.⁹⁹

10. GUIDANCE FOR PARTICIPATION OF OTHER ACTORS

- 10.1 Addressing issues arising from participation of non-state actors¹⁰⁰

- (a) In order to authorize Participation of non-Party entities a Party must be Party to the Paris Agreement.
- (b) Parties may authorize [subnational entities]/[private sector entities] to participate in Art 6.2 activities under the authority of that Party.
- (c) The authorization can be provided on a [transfer by transfer][all transfers related to certain type of activity] [all 6.2 activities][time limited] basis.

11. GUIDANCE FOR AVOIDING USE OF ITMOs/EMISSION REDUCTIONS FOR MORE THAN ONE PURPOSE

- 11.1 Option: ITMOs/emission reductions applied other than towards NDCs,¹⁰¹

- (a) Towards other international mitigation actions (e.g. CORSIA),¹⁰²

⁹¹ Source, paragraph 10(g) of the SBSTA Note.

⁹² Source, paragraph 15(b) of the SBSTA Note.

⁹³ Source, paragraph 15(a) of the SBSTA Note.

⁹⁴ Source, paragraph 15(a) sub(iii) of the SBSTA Note.

⁹⁵ Source, paragraph 15(a) sub(i) of the SBSTA Note.

⁹⁶ Source, paragraph 15(a) sub(vi) of the SBSTA Note.

⁹⁷ Source, paragraph 15(a) sub(iv) of the SBSTA Note.

⁹⁸ Source, paragraph 15(a) sub(v) of the SBSTA Note.

⁹⁹ Source, paragraph 15(a) sub(vii) of the SBSTA Note.

¹⁰⁰ Source, paragraph 25 sub(a) of the SBSTA Note.

¹⁰¹ Source, paragraph 26(a) of the SBSTA Note.

- (b) Towards voluntary climate action,¹⁰³
- (c) Towards climate finance,¹⁰⁴
- (d) shall, in each case, [trigger both Corresponding Adjustments and accounting provisions according to Art 6.2] [be cancelled by the Party in which it resided at the time of use, and an adjustment be made.

¹⁰² Source, paragraph 26(a) sub(i) of the SBSTA Note.

¹⁰³ Source, paragraph 26(a) sub(ii) of the SBSTA Note.

¹⁰⁴ Source, paragraph 26(a) sub(iii) of the SBSTA Note.