

Note on Article 6 Infrastructure

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This paper is not intended to be seen as providing a consensus on the issues it covers. It is rather an attempt to provide a coherent story of how the infrastructure works and if there are any gaps or things that simply “do not hang together”, or where there is a very different understanding between Parties or groups of Parties. This paper will continue to be updated as the discussion in the group evolves.

Article 6 Infrastructure

Article 6 text refers to a number of infrastructure components that are needed to make sure that Article 6 functions properly and positions Parties to meet requirements in Art 6.2, including providing the information needed to ensure integrity, both environmentally and functionally.

Some of the functions that the infrastructure should be able to support include

- Ensuring that there is no double counting of ITMOs
- Making the information available and transparent to Parties and stakeholders to undertake analysis
- Tracking ITMOs (and assets, depending if it is a multifunctional registry))

The components mentioned in the latest version of the Article 6.2 text include the following components

- Registries that each Party has or has access to for the purpose of tracking ITMOs. It is not directly mentioned in the current text what exactly the Registries will track but one hopes to assume that it is ITMOs. In general, these Registries have been referred to as National Registries. The term of register or registry has been used.
- An international registry for Parties that do not have or have access to such a system. It is expected that some Parties may not have the expertise, resources or inclination to create themselves such national registries, in which case space in an International Registry could be made available to function as national registry for those Parties.
- An Article 6.4 Mechanism Registry for the creation, transfer, and other actions pertaining to A6.4 ERs.

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- An Article 6 Database where the information reported by Parties—on an annual basis in the Database, and biennially through the Biennial Transparency Report (BTR)—would be kept,
- A Centralized Accounting and Reporting Platform (CARP) which publishes and provides transparency for the information that Parties submit through BTRs and in the Art 6 Database.

Not part of the infrastructure, but an integral part of this constellation of infrastructure and feeding information are the Reports that come through the BURs.

A number of things are important to understand:

- The function of each infrastructure component.
- The information that is stored.
- How they relate to each other.
- The flow of information and the role they each play.

Article 6 National Registries

- The main function of each Party's Article 6 registry is to enable Parties to record and track information, as applicable, on the transfer and acquisition of ITMOs which are:
 - Transferred in/out
 - Cancelled
 - First transferred
 - Used towards the NDC
 - Used towards other purposes
- When discussions take place the term of "National Registry" is used without clear understanding of the functions of a registry. In general, it is understood that a registry is used to track assets and has been associated with the existence of serial numbers for different assets (e.g. in the KP market). The distinction between different "National Registries" should be clarified.
- Some are using different names such as Register and Registry in order to differentiate between the functions that need to be fulfilled. There are different functions that need to be fulfilled
- One function is to track assets when transferred and may also keep track of all the characteristics of these assets. This includes registries such as national ETS registries or registries belonging to different standards such as Gold Standard.
- Another type is a piece of infrastructure which keeps track of what Art 6 approved assets belong to that Party – this is an Art 6 registry. This may also include information related to

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the characteristics of that asset or simply cross reference to the information kept in registries that tracks assets, or where the actual assets are kept.

- Some Parties feel that the name of Registry may be misleading in the case of the Art 6 Registry and that the name of Register for that element of the infrastructure that would keep information related to ITMOs would be more appropriate. Other use the name of National Data Base.
- Some see the introduction of new language in the text Art 6 draft text as counterproductive. However, using the same name for different types of registries will also inevitably lead to confusion, as there will be registries fulfilling different functions.
- Issues that warrant discussions:
 - Since these are national registries/registers, do they need to be standardized under Art 6, or each Party can develop a them without any common standards, provided they enable Parties to track and deliver the needed information for the Art 6 of the Paris Agreement?
 - How many registries are there and what are their functions? The discussion above is an attempt at clarifying that issues.
 - Additional issues that should be discussed
 - Since the Art 6.2 registries are regarded as tracking ITMOs, in what practical manner will the information listed in para 32 (authorization, first issuance, transfer etc.) be accurately captured from transactions of units/assets that occur regularly? In a national registry (which captures more than ITMOs), how is authorization identified?
 - What are national decisions and what does the CMA has to decide on (if anything)?
 - The information kept in the registry – how is it used by the UNFCCC/PA process? There does not seem to be any clearly enunciated use for this information in the text. Also, there is no PA mandated standardization. All national decisions – why is it then mandated by the PA that Parties should have a national registry and track certain information, if that information is of no use to the UNFCCC process? There is no indication of direct information exchange between the registries and the Article 6 database.
 - A discussion of when a mitigation actions becomes an ITMO almost becomes necessary in the context of infrastructure. We need a clear line that explains the process running from authorization, the effects on the national registry, database etc.
 - 1) When a unit/mitigation outcome receives and Art 6.3 export authorization (and therefore promise for undertaking a CA) and is transferred it thereby becomes an ITMO;

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- 2) This needs to be reflected in the issuing Party's registry/register and
 - 3) It will need to be reflected in the Party's and the report / electronic format to the Art 6 Database and
 - 4) Qualitative reporting information needs to be provided to the BTR and
 - 5) Corresponding adjustment (in year X and / or target year)
 - 6) It is registered in the importing Party's registry but not register.
 - 7) The importing Party may or may not grant it an Art 6.3 User Certificate for use in its NDC. It could simply be held in the registry until such time when it is owned and used by that Party towards its NDC (and then makes CA) or may simply be transferred into another registry under the same conditions.
 - 8) Some Parties may allow into their registries only ITMOs which could be used towards their NDC, while other Parties may allow ITMOs in their registry which may or may not be usable towards their NDC
 - 9) When it is used by a Party it is then recorded in its register
- One issue that was raised was whether ITMOs need approval from two cooperating Parties or ITMOs can be unilateral. This was seen by some as being an issue that does not merit discussion at this point and should not be entertained. However, it is, based on CDM experience, a discussion that needs to take place – the unilateral CDM discussion was a hotly debated issue until unilateral CDM was accepted.

Article 6 Database

- Parties will report the information from the Reporting section (qualitative and quantitative) in the Art 6 Data Base. This data base can be loosely seen as accomplishing part of the functions of the ITL in that it records information on all transfers (ITMOs) but does not have any role to check/approve the transfers.
- Any tracing of ITMOs to different uses, including NDC use, will be done by using information in the data base.
- There is no direct technological link or flow of information from the national registries to the data base.

The A6.4 Mechanism Registry

- There are differences in the draft text on the functions of the registries referred to in Article 6.2, and the Article 6.4 mechanism registry. The national registries referred to in Art 6.2

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focus on the functions of tracking ITMOs that represent (in summary form) the Party-authorized amounts of units/assets that are transferred and/or used, while the A6.4M registry is focused on facilitating the creation and ownership of emissions reductions as units that are issued for such use.

- The national registries which appear in Art 6.2 will also play the role of first transfer of an ITMOs, not dissimilar to the A6.4M registry when it transfers to the first receiving Party, but in a decentralized way. The issue that needs to be well understood will be that of initial issuance that will also be regarded as an ITMO.

The Centralized Accounting and Reporting Platform

- The CARP is the overarching information platform which publishes information submitted through the Article 6 database where Parties submit Annual Information on transfer of ITMOs.
- The CARP makes information public about the various Article 6 infrastructure systems, including the database, the international registry, the Article 6.4 mechanism registry, and related contents from Parties' BTRs.
- The Article 6 database and the CARP, in tandem, summarize the information about what is being transferred by countries and the flow of units. These transactions happen at different levels. For instance, Parties will provide information on ITMOs representing units that are transferred in the A6.4M registry. That same Party may also have a bilateral exchange with another Party: this is the type of summary information that is expected to be published on the CARP through the information in the database.
- Although the CARP is supposed to be developed to accommodate both information required for submission under A6.2 guidance and information on the A6.4M Registry, further elaboration on this matter may be needed.