

## Promoting transparency in Article 6

Designing a coherent and robust reporting and review cycle in the context of operationalising Articles 6 and 13 of the Paris Agreement

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## Contents

EXECUTIVE SUMMARY .....	6
1. INTRODUCTION .....	10
1.1. The importance of transparency .....	11
1.2. Scope and objective of the study .....	13
2. INTERLINKAGES BETWEEN THE ETF AND MARKET-BASED ARTICLE 6 COOPERATION .....	13
2.1. The current status of transparency negotiations .....	13
2.2. Relationship between the ETF and Article 6 reporting and review .....	15
3. REPORTING ON MARKET-BASED COOPERATION .....	17
3.1. What is a cooperative approach that triggers reporting? .....	18
3.2. What needs to be reported? .....	18
3.3. When reporting takes place .....	31
3.4. How complementarity can be ensured .....	33
4. TECHNICAL EXPERT REVIEW ON MARKET-BASED COOPERATION .....	38
4.1. Current review processes and lessons learned .....	39
4.2. Current status of the Art. 13 review process .....	43
4.3. The Article 6 review process .....	48
4.4. Linking both review processes .....	50
5. INFRASTRUCTURE .....	56
5.1. Defining mapping infrastructure arrangements .....	56
5.2. Designing coherent infrastructure arrangements .....	57
6. CONCLUSIONS ON DESIGNING A COHERENT REPORTING AND REVIEW PROCESS .....	59
REFERENCES .....	61
ANNEX A: FLEXIBILITY PROVISIONS IN THE ETF MPGS .....	63
ANNEX B. REPORTING OBLIGATIONS UNDER THE INITIAL AND REGULAR REPORTS .....	66

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## Figures

Figure 1: Overview on reporting processes under the ETF and Article 6.2 guidance .....	9
Figure 2: Overview of Article 6 reporting process and proposal to strengthen initial report .....	33
Figure 3: Timeline for in-country, centralised and desk review .....	46
Figure 4: Timeline of the simplified review process .....	47
Figure 5: Timeline of the FMCP .....	48
Figure 6: Suggested process for the review of a stand-alone initial report (IR) .....	52
Figure 7: Suggested process for review of initial report if submitted with BTR .....	53
Figure 8: Suggested process for simplified review of annual information .....	53
Figure 9: Timeline of Article 6 and Article 13 reporting and review processes .....	55
Figure 10: Infrastructure relevant for transparency on international market-based cooperation .....	57

## Tables

Table 1: Information key to assess environmental integrity of ITMOs .....	10
Table 2: The links between transparency and ambition in the Paris Agreement .....	12
Table 3: Challenges of the ETF and implications for Article 6 rules .....	16
Table 4: Requirements for the Initial report .....	21
Table 5: Participation responsibilities .....	22
Table 6: Reporting requirements regarding the NDC description in paragraph 64 of Decision 18/CMA.1 .....	23
Table 7: Reporting requirements for annual information .....	25
Table 8: Reporting requirements for regular information .....	26
Table 9: Reporting elements on environmental integrity .....	29
Table 10: Main elements of the Article 13 technical expert review .....	44
Table 11: Main elements of facilitative, multilateral consideration of progress .....	47
Table 12: Information access points .....	56
Table 13: Operationalising Article 6 infrastructure .....	58
Table 14: Overview of flexibility provisions in the ETF MPGs .....	63

## Abbreviations

BR	Biennial report
BTR	Biennial transparency report
BUR	Biennial update report
CA	Corresponding adjustments
CARP	Centralized Accounting and Recording Platform
CBDR-RC	Common but differentiated responsibilities and respective capacities
CDM	Clean Development Mechanism
CGE	Consultative Group of Experts
CMA	Conference of the Parties serving as Meeting of the Parties to the Paris Agreement
COP	Conference of the Parties
CORSIA	Carbon Offsetting and Reduction Scheme in International Aviation
CRT	Common reporting tables
CTF	Common tabular formats
CTU	Clarity, transparency and understanding
ERT	Expert review team
ETF	Enhanced transparency framework
ETS	Emission trading system
FREL	Forest reference emission level
FRL	Forest reference level
GCF	Green Climate Fund
GHG	Greenhouse gas
IAR	International Assessment and Review
ICA	International consultation and analysis
IPPU	Industrial processes and product use
ITMO	Internationally transferred mitigation outcome
JI	Joint Implementation
LDC	Least Developed Country
LMDC	Like-minded developing countries
LULUCF	Land-use, land-use change and forestry
MPG	Modalities, procedures and guidelines
MRV	Monitoring, reporting and verification
NC	National communication
NDC	Nationally determined contribution
NGO	Non-governmental organization
NIR	National inventory reports
QA/QC	Quality assurance/quality control

REDD+	Reducing Emissions from Deforestation and Forest Degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries
SB	Subsidiary Body
SBI	Subsidiary Body for Implementation
SBSTA	Subsidiary Body for Scientific and Technological Advice
SIDS	Small island developing state
TACCC	Transparency, accuracy, completeness, comparability and consistency
TER	Technical expert review
TTE	Technical teams of experts
UNFCCC	United Nations Framework Convention on Climate Change

## Executive Summary

International carbon markets depend on trust in the environmental integrity of the emission units traded. As cooperative approaches under Article 6.2 of the Paris Agreement are not subject to centralised international oversight, transparency-related processes are crucial to allow comparison of countries' performance, and to enable 'naming and shaming' of underperformers. This report explores how such processes can be designed in a robust manner to ensure the environmental integrity of internationally transferred mitigation outcomes (ITMOs).

The negotiations on the reporting and review chapter of the Article 6.2 guidance made good progress at the COP25 in Madrid in 2019; these elements of the draft negotiation texts are currently not contested. Already at COP24, paragraph 77d of the decision on rules for the enhanced transparency framework (ETF) introduced a requirement for Parties participating in Article 6 to provide information on environmental integrity and the avoidance of double counting in the biennial transparency reports (BTR). The draft Article 6 negotiation text requires certain information to be reported in the BTRs, and corresponding adjustments (CA) to be made to the annual balance of emission sources and sinks covered by the Nationally Determined Contribution (NDC), which Parties report in their BTRs. It remains unclear how the annual emission balance is linked to the sources and sinks reported through countries' national inventory reports (NIRs). This needs to be clarified in ongoing negotiations on reporting formats. This is an important issue whose detailed specification determines the degree of transparency that can be achieved.

According to the draft Article 6.2 guidance, an initial report that specifies – among other things – information on ITMO metrics and the CA method, needs to be provided no later than at the time of authorisation of the initial transfer of ITMOs. In addition to that, annual information on ITMO accounting and a regular report need to be submitted to the UNFCCC if a Party participates in a cooperative approach. Figure 1 provides an overview of the different reports that need to be submitted under the ETF and the Article 6.2 guidance.

COP26 will see parallel negotiations on Article 6 and the ETF reporting formats needed to operationalise paragraph 77d. With this in mind, our analysis distills six considerations for the finalisation of the negotiation texts to ensure that transparency is a sufficient deterrent to prevent a 'race to the bottom' in the reporting and review cycle for Article. 6.2.

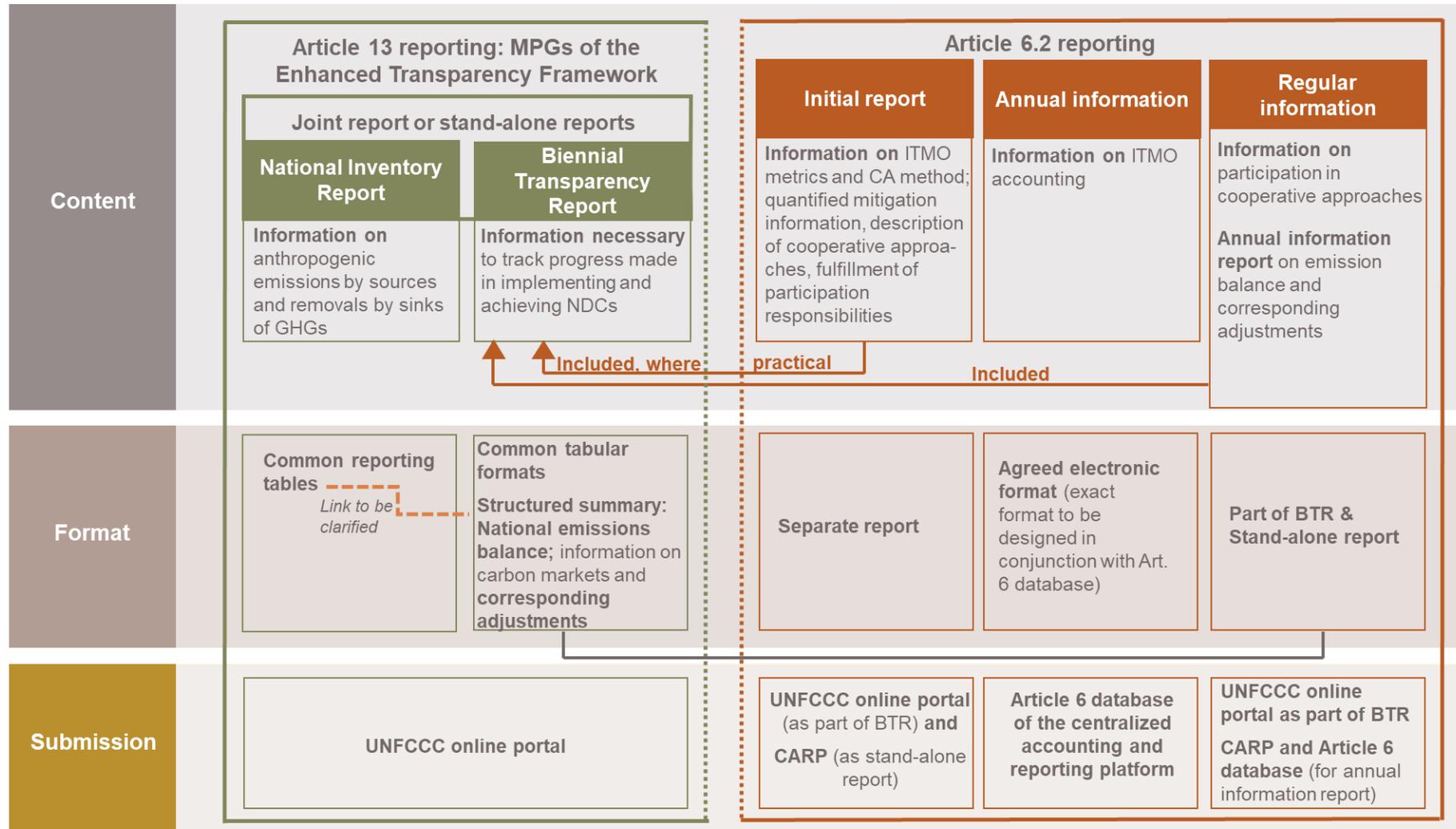
1. The finalisation of the Article 6.2 guidance by carbon market negotiators should be closely coordinated with transparency negotiators regarding the specific wording on reporting obligations. There is a difference between "how" and "whether" reporting requirements. A "how" requirement requires an explanation of the reporting approach, while a "whether" requirement just leads to a statement that the requirement has been met, without further explanation. To better understand the essence of the reporting, a "how" requirement is preferable, provided there are clear principles/criteria that guide the "how". This is not the case for Article 6.2 as there is no international oversight on what exactly is being reported. Many of the reporting requirements under Article 6.2 are framed in "how" questions without further articulation, thus leaving room for widely different interpretations. These "interpretation spaces" should be narrowed down. Careful differentiation should also be made between the terms "describe" and "demonstrate", where the latter term indicates that a justification needs to be provided.

Next to the transparency-specific wording, certain provisions of the ETF, such as flexibility that can be granted to specific Parties, have implications for Article 6. Most flexibility provisions relate to the NIR. Depending on the link between the NIR and the annual emission balance, these provisions can have an impact on the robustness of corresponding adjustments. In addition, flexibilities on reporting years in NIRs may lead to non-simultaneous reporting of corresponding adjustments on the seller and buyer side. In addition, invoked flexibility will lengthen timelines in the technical expert review. This needs to be considered when designing the Article 6 technical expert review process (TER). These examples show the importance of close coordination between the Article 6 and the transparency negotiators to ensure that the implications of the ETF provisions are well understood and reflected in the Article 6.2 guidance or Article 6 negotiations in general.

2. Different reporting instances should be coupled whenever timing and capacities allow for it, to reduce the overall reporting burden on Parties. However, if there is a fixed sequence of information provision, potential delays in Party reporting can generate severe problems by delaying the whole sequence. For example, if elements of the regular information under Article 6.2 are to be submitted along with the BTR (see Figure 1), and a country does not submit the BTR, Article 6 reporting would be delayed. This risk could be removed by de-coupling the reports. We would recommend triggering automatic decoupling when Parties do not meet their reporting obligations in time.
3. In general, the overall environmental integrity of cooperative approaches benefits from requiring Parties to report as much information as possible upfront, the very moment initial transfers are authorised, as part of the initial report. Extended reporting in the initial report will also help to reduce the reporting burden when providing the regular information. Especially information relating to environmental integrity should be included in the initial report and not only in the regular information, to allow for an ex-ante assessment of the quality of the cooperative approach. As this information is also important to guide countries' decisions to authorise transfers, it would not impose an additional burden to Parties to report this information upfront. In addition, the current negotiation text could benefit from a clarification that for each new cooperative approach an initial report has to be submitted upon first authorisation of transfers. Here it is important to define what a cooperative approach is – it could range from a specific activity generating ITMOs for sale to one country, to a multi-country “club” with many types of activities such as linking of emission trading schemes, policy crediting, programmes and specific projects generating ITMOs.
4. Further elaboration of reporting templates will be crucial to ensure that Parties are required to report at a sufficient level of detail. We also would like to note that the current negotiation texts fall short of requiring some important information for ITMOs. For example, the current reporting section does not specifically require Parties to provide evidence that ITMOs are additional and verified. With regard to environmental integrity there is a lack of operational guidance, and reporting on the promotion of sustainable development (another high-level objective of Article 6 as per the 6.1 cha-peau) is reflected only weakly in the reporting requirements.

5. Key principles that should guide the review process - such as “no net increase in global emissions in and between NDC implementation periods”, “robust governance” and “conservativeness of baselines”, as well as transparency, accuracy, completeness, comparability and consistency - need to be further operationalised. The current lack of an agreed interpretation of these principles makes it unlikely that reviewers will be able to provide relevant recommendations. The same applies to terms that are important but currently not listed in relation to the review process, such as additionality of activities generating ITMOs, third party verification and sustainable development.
6. Finally, an efficient coordination of review processes should be ensured (i) within the Article 6 TER and (ii) between the Article 6 and Article 13 TER. Regarding the coordination within Article 6 review processes, centralised reviews of cooperating Parties’ initial reports should be organised, where possible, to ensure a concerted approach. Since Article 6.2 reports are often submitted in conjunction with BTRs, review processes feed into each other. Ideally, the Article 6 review team prepares a draft report of its centralised review of the initial report or regular information before the Article 13 TER week of the BTR commences.

Figure 1: Overview on reporting processes under the ETF and Article 6.2 guidance



Source: authors' elaboration, based on UNFCCC 2018a, SBSTA 2019

## 1. Introduction

In line with its bottom-up nature, the Paris Agreement does not have a strong compliance mechanism to ensure Parties meet the ambitions set in their Nationally Determined Contributions (NDCs). This makes ‘naming and shaming/praising’ by governments and NGOs a key mechanism to promote compliance, which requires strong transparency obligations that enable the identification of underperformance. As a result, transparency is the main process to generate trust among Parties regarding the actual performance of each Party, allowing for the identification of capacity gaps and constraints, as well as non-compliance. In the context of market mechanisms under Article 6, cooperative approaches under Article 6.2 are not subject to international oversight. Transparency of approaches used, and the methodological underpinnings with regard to the environmental integrity of the ITMOs, are thus crucial in order to prevent a ‘race to the bottom’. This paper explores the processes linked to transparency in international market-based cooperation and how these can be made robust to enable identification of shortcomings in Article 6 action. In this context, transparency includes collection and publication of information on:

**Table 1: Information key to assess environmental integrity of ITMOs**

Categories	Additional information needed	Function
Quantities of ITMOs transacted	<ul style="list-style-type: none"> <li>• Vintages</li> <li>• Indicator of the underlying activity</li> <li>• Timing of transaction</li> <li>• Corresponding adjustments</li> </ul>	Allows tracking of international trades; ensures no double counting
Characteristics of activities underlying the generation of ITMOs	<ul style="list-style-type: none"> <li>• Type of scheme</li> <li>• Entities involved</li> <li>• Information on the creation of mitigation outcomes (e.g. methodologies applied)</li> <li>• Information on the verification of mitigation outcomes: monitoring, reporting and verification (MRV) protocols/requirements</li> <li>• Safeguards</li> </ul>	Generates trust in the underlying environmental integrity of international carbon markets
In the context of emission trading systems (ETS)	<p>On the creation of mitigation outcomes:</p> <ul style="list-style-type: none"> <li>• Calculation of emission cap and methodologies used in this context</li> <li>• Size/coverage of ETS</li> <li>• Allocation method of allowances, issuances of free allowances</li> <li>• Rate of decline in the cap</li> <li>• Safeguards against over-allocation, ex-post analysis of over-allocation</li> </ul>	
In the context of baseline-and-credit mechanisms	<p>On the creation of mitigation outcomes:</p> <ul style="list-style-type: none"> <li>• Activity type</li> <li>• Activity scope (project, programme, policy) and location</li> <li>• Methodologies for additionality, baseline and activity emissions</li> <li>• Underlying assumptions regarding default parameters, if any</li> <li>• Crediting period</li> <li>• Credits issued, including actual vs. expected performance, and reasons for deviations.<sup>1</sup></li> </ul>	

Source: authors

<sup>1</sup> This is important as experience from the CDM has shown that persistent deviations are often linked to underlying conceptual issues that may impact environmental integrity, such as a systematic underestimation of load factors of renewable energy plants.

Mitigation cost information (reflected in ITMO prices) would be highly desirable as an indicator for the costs of achieving NDCs, which is an indicator or safeguard to check that the host country is not selling 'low hanging fruits'. However, prices are usually seen as commercially sensitive information and not made available. Therefore, transparency on prices is not included in the following analysis.

### 1.1. The importance of transparency

Transparency is the key safeguard to ensure environmental integrity and the early detection of major risks to integrity in international market-based cooperation. While this applies to all forms of market-based cooperation, this paper focuses on transparency on bi- or multilateral cooperative approaches implemented under the Article 6.2 guidance.<sup>2</sup> The Article 6.2 guidance establishes a reporting and technical expert review cycle to ensure transparency at an international level.

International market-based cooperation is taking place in a context where all Parties are maintaining and implementing NDCs and further commitments under the Paris Agreement. The ETF with its modalities, procedures and guidelines (MPGs), agreed at COP 24 in Katowice in 2018, is the most important cornerstone of the Paris Agreement. While the Paris Agreement mostly relies on obligations of conduct (e.g. submit information) rather than result, the ETF is the only place to include provisions on substance, including the review of information, which strengthens the regime's architecture (Winkler et al. 2017).

The reporting and review cycle in the Article 6.2 guidance must be synchronised with the one defined in the ETF. Both processes are strongly interdependent, as will be further explained in chapter 2. Only in the context of a robust transparency framework, transparency can contribute to ambition raising, both on a general level and in the context of international market-based cooperation (see Table 2). But, if and how these pathways materialise depends on the "availability of **comparable, complete and timely information**" (Weikmans et al. 2020, p. 518). In addition, to be robust, the provisions and structures relating to reporting and review must be designed in a logical way in order to be implementable both for participating Parties and the Secretariat and not unduly increase transaction costs. The 'reality check' of proposed provisions is important to design a sound system.

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<sup>2</sup> There will also be a centralized crediting mechanism established under the UNFCCC, where detailed rules, modalities and procedures will be adopted and both, compliance with these MPGs and transparency will be ensured by the Article 6.4 Supervisory Body. We assume that project documentation, monitoring, verification and issuance reports will be made public.

**Table 2: The links between transparency and ambition in the Paris Agreement**

Pathways from transparency to an increase in ambition in climate action	Operationalising the pathways in the context of international market-based cooperation
Greater clarity on a country's performance (quantities of emission reductions, costs, barriers) could directly incentivise a country to do more.	From a host country perspective: if the host country knows what impact co-operative approaches are having on NDC implementation it can maximise benefits from engagement in carbon markets, while safeguarding NDC compliance.
Information generated could be used by non-state actors internationally to attempt to 'name and shame' laggards or 'name and fame' the best performers (as done by the Climate Action Tracker or Civil Society Equity Review).	<p>From the 'international community's' perspective: ongoing insight into whether the system does what it is designed to do (monitor its implementation) and create trust that countries are really doing what they promised to do.</p> <p>In the absence of compliance mechanisms and legal instruments that would trigger exclusion of governments from international trading, 'naming and shaming' is the only mechanism to 'enforce' compliance. Both host and acquiring countries will try to mitigate reputational risks from their engagement in carbon markets, as long as they are generally supportive of climate action.</p>
Publication of domestic data internationally on efforts and pledges can be picked up by domestic actors to pressure governments (public shaming or direct lobbying).	In the context of the Paris Agreement, international carbon markets can be used to facilitate compliance with NDCs without being solely used as a substitute for domestic efforts, but trigger additional investments. domestic NGOs can raise their voice if they think their government tries to use markets in a way that jeopardises attainment of the Paris Agreement's long-term goal or the targets of local low emission development strategies.
Incentive for states to comply as they have an interest in reciprocal compliance by and future cooperation with other governments.	<p>In the context of bi- and multilateral international market mechanisms, Parties have an interest in showcasing that they respect the rules to build new partnerships and attract additional sources of finance.</p> <p>From an acquiring country perspective: Clarity on the integrity of the cooperative approach is important to make investment decisions in ITMOs and mitigate (domestic/international) reputational risks of acquiring ITMOs of low quality/ that represent a host country's low hanging fruit. Host countries' past compliance with international rules may be an important decision to engage in bilateral agreements.</p>
Transparency regarding developed countries delivering on finance promises is crucial for developing countries to accept that the conditionality of their NDC has been met and they adopt more ambitious mitigation targets.	<p>In the context of reporting on acquired ITMOs, it is very important to ensure there is no double claiming between carbon and climate finance.</p> <p>Transparency and an increased understanding of the specific contribution of a cooperative approach to long-term benefits for the host countries, including on the achievement of conditional NDC targets, is important to build robust international carbon markets in the interest of both sellers and buyers while respecting environmental integrity.</p>
Transparency on constraints, challenges and barriers is important to detect capacity building needs, promote lesson learning and thereby fostering harmonisation and comparability of action.	<p>The integrity of international carbon markets relies on the comparability of the outcomes that are traded on it. The rule-setting process on international carbon markets is constantly evolving, building on lessons learned. Promoting this cycle of identifying challenges, piloting new concepts and feeding results back into the international debate, is a precondition for robust markets.</p> <p>Experience with MRV under the Clean Development Mechanism (CDM) showed that far-reaching reporting and verification requirements were crucial in providing previously unavailable information about performance of various mitigation technologies under different circumstance, with capacity building being a crucial element in this regard. Several observers have stated that this is the most valuable outcome of the CDM.</p>
Information will feed into the Global Stocktake, most probably showing that the world is off track to deliver on the Paris Agreement long-term objectives.	Transparency can also inform the compliance committee (defined under Article 15 of the Paris Agreement) of systemic issues with Article 6.2 guidance and identify needs for revision of guidance

**Source: Considerations based on Weikmans et al. (2020), p. 512-513**

## 1.2. Scope and objective of the study

This study examines the interlinkages of three articles of the Paris Agreement, which are of particular importance for market-based cooperation:

- Article 4, in particular provisions related to the communication and adjustment of NDCs and accounting for their implementation. In this context this study also considers decision 4/CMA.1 and potential future guidance on features of NDCs to be adopted at CMA7. Accounting for NDCs in a way that promotes environmental integrity, transparency, accuracy, completeness, comparability and consistency (TACCC) and ensures the avoidance of double counting is included in the MPGs of the ETF, in the annex of decision 18/CMA.1.
- The Article 6.2 guidance on cooperative approaches and the current status of draft negotiation texts with regard to reporting and review.
- Article 13 and in particular decision 18/CMA.1 with the MPGs of the ETF. Negotiations regarding common reporting tables, common tabular formats to track progress in NDC implementation as well as the structured summary of NDCs are currently ongoing, with a view of being finalised at COP 26 in 2021.

The analysis of the international rule setting process on the interlinkages of the three articles in this study is guided by a threefold objective:

First, to identify unclear provisions or inconsistencies in decision 18/CMA.1 and draft texts for Article 6 rules. On this basis, we develop recommendations to increase coherence and stringency. This is important as both reporting formats under the ETF and rules for reporting and review of Article 6 market-based cooperation will be negotiated in parallel. It should be noted here that it seems unlikely that significant changes to the text will be politically feasible, as the current provisions represent a political compromise achieved at COP25. However, as the details on reporting and review will be elaborated in a follow-up work programme, the results of this analysis can inform this work. In addition, some Parties may adopt their own additional reporting and review requirements, beyond UNFCCC obligations (e.g. in the context of the San José Principles).

The second objective of the analysis is to develop concrete proposals for information to be captured in ETF common tabular formats (CTF) relating to market-based cooperation that are used in BTRs and additional Article 6 related reports (both quantitative and qualitative information) in order to make both processes complementary.

Third, the analysis aims to develop concrete proposals for a review process that avoids duplication and long feedback loops and promotes comparability and cross-country learning and capacity building.

## 2. Interlinkages between the ETF and market-based Article 6 cooperation

This chapter discusses how the negotiations on Article 13 of the Paris Agreement (the ETF) and on Article 6 (international cooperation) are interlinked.

### 2.1. The current status of transparency negotiations

At COP24, reporting on Article 6 cooperation was included in the MPGs of the ETF. This has impacted the negotiations on reporting and review in the context of the Article 6 negotiations.

### 2.1.1. The controversy on paragraph 77d of the ETF MPGs

The MPGs of the ETF were adopted at COP24 and are the centrepiece of the 'Katowice Climate Package'. The operationalisation of a 'common' transparency framework, which accommodates the principle of common but differentiated responsibilities and respective capacities (CBDR-RC) was the key crunch issue and the adoption of decision 18/CMA.1 was a major negotiation success. The cornerstones of the ETF are BTRs built around NIRs as countries shall in principle apply the same rules for their national inventories. While putting in place a common transparency framework, the ETF is giving flexibility to developing countries considering their capacities.

Against the backdrop of the looming inability of Parties to conclude the Article 6 negotiations at COP24 in Katowice, a group of Parties drafted the paragraph that was introduced as paragraph 77d into the final MPGs of the ETF. This subparagraph defines some guardrails for reporting on cooperative approaches and for CORSIA transfers, to satisfy both, the principles of environmental integrity and avoidance of double counting when accounting for NDC implementation. Paragraph 77d also establishes the requirement to undertake corresponding adjustments to the annual level of anthropogenic emissions by sources and removals by sinks covered by the NDC, reported biennially.

However, the inclusion of this paragraph sparked some controversy as some Parties felt side-lined in the process. Smaller delegations were unable to attend the parallel negotiations on Article 6 and the MPGs. In addition, the paragraph already includes a number of assumptions about Article 6 rules, in particular the way corresponding adjustments are made to emission balances, also assuming that ITMOs are only denominated in CO<sub>2</sub>e and that they are also to be done for CORSIA transfers (international mitigation purposes). These issues were not agreed in Article 6 negotiations at that time. The process generated mistrust among negotiating Parties. In particular, the Arab Group and like-minded developing countries (LMDCs) feared that the transparency provisions on cooperative approaches could prejudge the options to account for ITMOs and de-facto exclude units in other metrics. There was also mistrust by some developing country Parties that developed countries were pushing for the operationalisation of 77d so they could go ahead with bilateral transfers and CORSIA, and may even lose interest in negotiating common rules on Article 6.

As the paragraph does refer to "consistency with Article 6 guidance", some Parties (in particular China, Saudi Arabia and the African Group of Negotiators) insist that the paragraph has no validity on its own, but can only be operationalised once Article 6 is agreed. Other Parties, in particular US, Switzerland and the EU insist that the paragraph is part of a binding decision and therefore valid also in the absence of an agreed Article 6 rulebook.

The different positions on the validity and legal implications of paragraph 77d led to an éclat in the Article 6 negotiations at the beginning of the 50th session of the Subsidiary Bodies (SB50) in 2019, when both Article 6 rules and the operationalisation of paragraph 77d in the context of common tabular formats for reporting were on the agenda of the Subsidiary Body for Scientific and Technological Advice (SBSTA). This issue was resolved at a meeting of Heads of Delegations with a 'gentlepersons' agreement to focus on Article 6 rules until COP25 before operationalising paragraph 77d in the following year, under the assumption that there would be an Article 6 rulebook.

However, given the absence of an agreement at COP25 on Article 6, Parties are facing again a situation of simultaneous negotiations on both Article 6 rules and the operationalisation of paragraph 77d, as a conclusion of negotiations is now expected at the same conference. As the Article 6 reporting requirements have made significant progress in the meantime, as described in the subsequent sections, the potential for the ETF negotiations to overstep into the Article 6 territory might, however, be less.

### 2.1.2. Status of negotiations on reporting and review under Article 6

In sharp contrast to the negotiations on paragraph 77d of 18/CMA.1, the negotiations on the reporting and review chapter of the Article 6.2 guidance did not spark much controversy. Parties have found common ground on the different reporting and review elements, but there is still an important step to put these requirements into workable reporting formats, in parallel with the ETF. In addition, the draft Article 6 texts foresee a clear link of reporting and accounting for market-based transfers of mitigation outcomes and overarching reporting of the country in the context of the ETF. These links include:

- Part of the information on cooperative approaches will be reported in the context of BTRs.
- Corresponding adjustments are made to the annual emissions balance, as reported in NIRs.
- The results of the Article 6 review process will be forwarded to the Article 13 TER for consideration.

### 2.2. Relationship between the ETF and Article 6 reporting and review

Among the principles guiding reporting under Article 13, the following are relevant for Article 6:

1. ensuring environmental integrity;
2. ensuring that double counting is avoided;
3. promoting transparency, accuracy, completeness, consistency and comparability (the “TACCC” principles); and
4. avoiding duplication of work and undue burden on Parties and the secretariat (UNFCCC 2018a).

Other principles of Article 13 that focus on the national character of NDCs are not relevant in the context of Article 6 as market-based collaboration is a voluntary activity that goes beyond national borders.

In designing the link between Article 6 and Article 13 MPGs, Article 6 negotiators should consider the current shortcomings and challenges of the ETF and carefully evaluate where to link both processes, where possible, but de-couple both processes, where necessary:

- “Flexibility” invoked by developing countries under the ETF, which is mostly related to the NIR but also to emission estimates and projections in the context of the NDC, must not jeopardise the quality of reporting and environmental integrity of Article 6 approaches.
- Transparency-related processes should be coupled to ensure that market-based cooperation is embedded in national processes instead of undermining NDC implementation.
- The provision of crucial information on market-based cooperation should be de-coupled from the ETF processes to ensure their availability, even if countries are lagging behind on reporting commitments under the ETF.

The considerations are summarised in the table below.

**Table 3: Challenges of the ETF and implications for Article 6 rules**

Challenges of the ETF	Implications for Article 6 rules
<p><b>Differentiation</b>, based on the ‘in-built flexibility’ which limits the generation of information and its comparability and may lead to a fragmentation of information. Self-determination of the application of flexibility may lead to an unpredictable system in which Parties can choose the most flexible requirements without the ability for technical experts to assess whether the Party would have the capacities to implement specific provisions (Weikmans et al. 2020, p. 518). This includes most importantly the perverse incentive to limit reporting and thereby the NDC to certain GHGs, based on invoked flexibilities.</p>	<p>To safeguard the environmental integrity of international carbon markets in the context of the Paris Agreement, negotiators need to ensure that ‘self-determined flexibility’ cannot be used to prevent/reduce the scope of reporting on Article 6 activities. Thus, stand-alone reporting requirements of Article 6 activities are necessary, while allowing cross-referencing from the BTR if the country does not invoke flexibility.</p> <p>Flexibility can be invoked by developing countries not only regarding the NIR and timelines in the review process, but also with respect to the estimations of impact from actions, policies and measures included in the NDC as well as projections of emission levels (see Annex A for a full list). This will reduce the robustness of baselines for calculations of mitigation outcomes making reference to the NDC, or make it more difficult to assess the stringency of caps in an ETS.</p>
<p><b>Incomparable information</b>, based on the wide range and heterogeneous nature of NDCs, which makes it difficult to compare efforts undertaken by different Parties (Weikmans et al. 2020, p. 519-520).</p>	<p>This challenge is partly addressed by common corresponding adjustment rules for ITMOs denominated in CO<sub>2</sub>e, but particularly important in the context of ITMOs expressed in non-GHG metrics. The CMA should oversee the metrics and indicators used in the context of Article 6 reporting. The conversions of non-GHG metrics to CO<sub>2</sub>e should be mandatory in reporting and done according to clear guidance</p> <p>In addition, information on methodologies and assumptions used to create mitigation outcomes should be independent from information on NDCs in order to be comparable.</p>
<p><b>High capacity needs for developing countries:</b> The regime change to even more regular and comprehensive reporting will be a challenge for developing countries that are already struggling with the existing reporting aspects. Reviews can place significant burden on Parties, experts and the UNFCCC Secretariat (Weikmans et al. 2020, p. 520).</p>	<p>Design a lean-as-possible but robust-as-necessary process, while exploiting opportunities to avoid duplication of work. The system should be designed to cope with significant delays in reporting due to lack of capacity. Article 6 negotiators could consider a process to generate resources internationally to overcome host country lack of resources/capacity in the context of reporting for carbon market activities.</p>
<p><b>Politicisation:</b> The ETF is designed to avoid any political judgement, and as a result Parties are solely evaluated against procedural rather than substantive standards.</p>	<p>The Article 6 TER should have the mandate to check whether guidance was followed and require information that goes beyond compliance with procedural obligations but allows review on the substantial information submitted.</p>

Source: authors

### 3. Reporting on market-based cooperation

The Article 6.2 reporting guidance defines an initial report, annual information, and regular reports. Requirements pertaining to the three levels of reporting remained the same in all three versions of the presidency text elaborated at COP25, indicating an emerging consensus among Parties and a level of maturity of the subject.

The Article 6.2 reporting guidance establishes a clear link to the reporting processes under the ETF. It specifies that the initial report should be provided in conjunction with the country's next due BTR (where practical), whereas regular information is to be included into the BTRs. Only the annual information follows a pathway that is unique to Article 6, as it is to be submitted via an electronic format to the Article 6 database.

While reporting requirements have made a big step forward at COP25, they cannot be considered ready for implementation. Many of the reporting requirements remain at principle level and need further interpretation to be operationalised. Especially information requirements pertaining to regular reporting are framed in 'how' questions that open the door for interpretation, which may require additional guidance before countries can report on them. Paragraph 3 of the decision text recognises this by requesting the SBSTA to develop *outlines for the information required for reporting*, including the agreed electronic format in which annual information is to be reported. The further elaborations by the SBSTA shall be considered and adopted by the CMA at its next session. Due to the failure to agree on the Article 6 rules in Madrid, this cannot be accomplished as foreseen at COP26 in Glasgow but will either require an additional year or will have to be addressed concurrently with the finalisation of the Article 6.2 guidance.

This chapter examines the state of the reporting guidance in the three presidency texts from Madrid, as well as the links to the ETF. It is divided in three sections and considers the following questions:

- What is a cooperative approach that triggers reporting? (section 3.1)
- What is to be reported and how clear are the Article 6 reporting requirements, including which provisions or clarifications may be missing? (section 3.2);
- When does reporting occur and how congruent are the provisions on process and timing between the Art 6 reporting and the ETF? (section 3.3);
- How can complementarity of reporting requirements between the ETF and Article 6 be best ensured, in light of the analysis carried out under sections 3.2 and 3.3? (section 3.4).

In doing so, the chapter seeks to provide inputs for the next stage of the negotiations as they relate to reporting outlines under Article 6. In order to provide the context in which Article 6 reporting takes place, each section below begins with a brief introduction of the existing communication and reporting obligations already agreed in Katowice.

### 3.1. What is a cooperative approach that triggers reporting?

#### ***Link to ‘other international mitigation purposes’?***

So far, it has not been defined what constitutes a cooperative approach. Is it only a cooperation involving at least two countries, or is it any approach that leads to a transaction of ITMOs, even those transactions where the buyer is a non-Party entity (e.g. an airline under CORSIA or a player of the voluntary market)?

Some Parties want to ensure that the latter transactions in the context of CORSIA and the voluntary carbon market also need to be reported upon. To these Parties, the current negotiation text can be interpreted as follows: the authorisation of the initial first transfer of an ITMO from a cooperative approach that is used for ‘other international mitigation purposes’ also triggers the requirement for Parties to submit the initial report (see discussion below). The text refers to “ITMOs from a cooperative approach” and paragraph 1 defines “ITMOs from a cooperative approach” to include both the transfer of mitigation outcomes authorised for use towards an NDC, as well as mitigation outcomes authorised by a participating Party for use for international mitigation purposes other than achievement of its NDC, or for other purposes.

This interpretation is then supported by the use of ‘first transfer’ triggering the initial report in paragraph 18, which in paragraph 2 is defined as “the international transfer of a mitigation outcome (...) for use towards an NDC, or authorized by a participating Party for use for other international mitigation purposes”.

Such an interpretation, that sets a requirement for reporting on the ITMOs to CORSIA or the voluntary market, would further strengthen the environmental integrity of international carbon markets. In this regard, it would be important that the authorisation of an international transfer of mitigation outcomes to CORSIA or the voluntary market is considered as a cooperative approach and thus reporting – be it in the initial or the annual reports – is mandatory.

#### ***Cooperative approach per partner or per mitigation activity?***

Another issue that would have to be defined is whether all types of cooperation between a set of countries are treated as one cooperative approach, or whether there can be different cooperative approaches between the same country group. For example, could Switzerland and Peru engage in five different cooperative approaches, or would any cooperation, even if highly different in terms of methodology and scope, be seen as “the” cooperative approach between Switzerland and Peru?

### 3.2. What needs to be reported?

This first section looks at what needs to be reported under Article 6.2 of the Paris Agreement according to the latest negotiation text. This section also identifies where such requirements continue to be unclear and might need further clarification before being transposed into a reporting template.

### 3.2.1. Reporting requirements already agreed

According to the MPGs of the ETF, all Parties will need to report information through BTRs and NIRs. However, least developed countries (LDCs) and small island developing states (SIDS) can submit these reports “at their discretion” while developing countries can invoke “flexibility” for certain provisions (see Annex A: Flexibility provisions in the ETF MPGs). The need for flexibility is to be self-determined and can be related to the scope, frequency and level of detail of reporting as well as to the scope of the review, where such flexibility is granted at a provision level. BTRs and NIRs are to be submitted via an online portal managed by the UNFCCC Secretariat.<sup>3</sup>

Chapters 2 and 3 of the MPGs define, respectively, the rules and processes for reporting on NIRs and the information necessary to track progress made in implementing and achieving NDCs. For tracking of NDC progress, the MPGs indicate that reporting will be made in narrative form and through CTF (UNFCCC 2018, annex, paragraph 79), including the following informational elements:

- national circumstances and institutional arrangements;
- description of the NDC and any updates;
- information necessary to track progress made in implementing and achieving the NDC;
- mitigation policies and measures, including those with mitigation co-benefits resulting from adaptation actions;
- summary of GHG emissions and removals, as well as GHG projections.

The MPGs also establish that tracking of NDC progress is to be done via a “structured summary” in the BTR. In these structured summaries, Parties will have to provide information on their selected indicators to track NDC progress. The identified indicators must be relevant to the NDC and can be qualitative or quantitative, and can include, for instance, net GHG emissions and removals, percentage reduction of GHG intensity, relevant qualitative indicators for a specific policy or measure, and mitigation co-benefits of adaptation actions.<sup>4</sup> Under the ETF, the structured summary will also be used by Parties for information related to ITMOs and Article 6 cooperative approaches (UNFCCC 2018a, annex, paragraph 77d).

### 3.2.2. Ongoing SBSTA work to operationalise the ETF

Currently, Parties are negotiating outlines for the BTRs, NIRs and TER reports pursuant to the MPGs, as well as the reporting and review formats under SBSTA to fully operationalise the ETF, notably:

- common reporting tables (CRTs) for NIRs and CTFs to track progress in NDC implementation;
- outlines for the BTRs, NIRs and TER reports; and
- a training programme for the technical experts in the TER process.

All three agenda items shall be concluded by CMA3/COP26.

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<sup>3</sup> The NIRs may be submitted either as a stand-alone report or as part of the BTR. See UNFCCC (2018a), annex, paragraphs 12 and 15. See also UNFCCC (2020a).

<sup>4</sup> Other indicators could be e.g. hectares of reforestation, percentage of renewable energy use or production, carbon neutrality, share of non-fossil fuel in primary energy consumption and non-GHG related indicators. See UNFCCC (2018a), annex, chapter III.C paragraphs 65 and 66. See also Rocha and Ellis(2020); and UNFCCC (2020a).

At COP25, the degree to which Parties were unable to make any real progress on these agenda items was troubling. Although the current mandate is specific and highly technical, transparency negotiations are deeply tangled up in the broader political issues of the UNFCCC, in particular the degree to which major emerging economies are pushed to assume similar responsibilities as traditional industrialised countries and the provision of finance and new (quantified) goals in climate finance and (finance for) adaptation.

### ***Status of negotiations with regard to CRTs and CTFs***

**With regard to CRTs (of NIRs)**, negotiations are held on the basis of existing common reporting format tables used by Annex-I Parties. The key crunch issue here is the operationalisation of flexibility in the context of a 'common' table. Some Parties reject that existing formats, mandatory for Annex-I-countries are used as a basis, others even reject that the use of CRTs is mandatory or want Parties to have the option to modify tables or delete rows and columns. Beyond these fundamental positions that aim at reintroducing a bifurcation of obligations, there are different positions on the concrete ways to grant flexibility when filling in the CRTs. Options are notation keys, colour codes, footnotes, or summary tables that explain where flexibility was applied.

**With regard to CTFs** the question is how to accommodate heterogeneous NDCs in common tables. Some Parties are worried that the MPGs will now be renegotiated through the back door, in particular by using quantified and 'quantifiable' indicators even if an NDC is not quantified. The most sensitive issue in this regard is the structured summary of the NDC, as negotiations focus on how much detail Parties are willing to share on whether they are meeting their NDC targets or not and as the structured summary includes information to be provided in the context of paragraph 77d (see above). The critical issue here for Article 6 negotiations are the links made between:

- the annual emissions balance of sources and sinks covered by the NDC to be reported in the context of paragraph 77d;
- the information on sources and sinks covered by NDCs required under paragraph 64e, and
- the information and updates for selected indicators as required under paragraphs 65-69.

(UNFCCC 2018a).

### ***The link to Article 4 in the Article 13 ETF***

In its first NDC, each Party shall clearly indicate and report its accounting approach, including how it is consistent with Article 4, paragraphs 13 and 14 of the Paris Agreement. For the second and subsequent NDCs, the description of the NDC and the information on tracking of progress, including accounting of NDCs, must be consistent with the guidance contained in decision 4/CMA.1 and its annexes (UNFCCC 2018c, paragraph 7).

The guidance updated the list of information that Parties shall provide in their NDCs to increase clarity, transparency and understanding (CTU) and fill the gaps of previous NDCs (UNFCCC 2018c, annex 1). This information includes quantifiable information on the reference point, timeframes and/or periods for implementation, scope and coverage of the NDC, and assumptions and methodological approaches, including for estimating and accounting for emissions and removals.

Parties must account for anthropogenic emissions and removals in accordance with methodologies and common metrics assessed by the IPCC. If an NDC cannot be accounted for using these methodologies, Parties must provide information on the methodology used. In addition, Parties must ensure consistency in scope, coverage, definitions, data sources, assumptions and methodological approaches between the communication and implementation of NDCs.

The participation responsibilities also require countries engaging in cooperative approaches to follow the guidance under Decision 4/CMA.1. These NDC-related requirements can ensure that sufficient NDC information is offered and articulated by countries. This should allow for a better (qualitative and quantitative) understanding of NDCs, their specific commitments, underlying assumptions, and level of ambition, as well as provide a good basis for assessing the context in which cooperative approaches will be developed. For developing countries, however, the extent to which this information will serve to clarify their individual NDCs, will be a function of how these countries exercise their self-differentiation right when providing this information (Füssler et al. 2019).

### 3.2.3. Reporting requirements in the initial report (Article 6.2)

Following the latest negotiation texts on Article 6.2, Parties that wish to participate in cooperative approaches are required to submit an initial report. The function of the initial report is that Parties provide information to demonstrate that they have the necessary arrangements and infrastructure in place to participate in cooperative approaches and use markets to achieve their NDCs. The initial report must (“shall”) contain:

- the ITMO metrics and method for corresponding adjustments (for multi-year/single year NDCs) that will be applied throughout the NDC implementation period;
- quantified mitigation information in its NDC in tCO<sub>2</sub>eq, including sectors, GHGs, time periods, reference levels and target levels (or, if this is not possible for a Party, a methodology for the quantification of the NDC in tCO<sub>2</sub>eq);
- for NDCs or targets using non-GHG metrics, the quantification of the NDC (or a portion of the NDC) in the relevant metric; and
- a description of the cooperative approaches in which they participate, including the expected mitigation and the participating parties.

**Table 4: Requirements for the Initial report**

<b>18.</b> Each participating Party shall submit an Article 6, paragraph 2 initial report (initial report) no later than the time of providing or receiving authorization or initial first transfer of ITMOs from a cooperative approach and where practical, in conjunction with the next due biennial transparency report pursuant to decision 18/CMA.1 for the period of NDC implementation. The initial report shall contain comprehensive information to:
<b>18(a).</b> Demonstrate that the participating Party fulfils the participation responsibilities referred to in chapter II (Participation)
<b>18(b).</b> Provide, where the participating Party has not yet submitted a biennial transparency report, the information referred to in paragraph 64 of the annex to Decision 18/CMA.1
<b>18(c).</b> Communicate the ITMO metrics and the method for corresponding adjustments for multi-year/single year NDCs that will be applied consistently throughout the period of NDC implementation
<b>18(d).</b> Quantify the Party’s mitigation information in its NDC in tCO <sub>2</sub> eq, including the sectors, sources, GHGs and time periods covered by the NDC, the reference level of emissions and removals for the relevant time period, and the target levels for its NDC; or where this is not possible, provide the methodology for quantification of the NDC in tCO <sub>2</sub> eq
<b>18(e).</b> Quantify the participating Party’s NDC, or that portion of its NDC, in a non-GHG metric determined by each participating Party

**18(f).** Provide, for each cooperative approach, a description of the approach, the expected mitigation and the participating Parties involved

**19.** Each participating Party shall submit the information in paragraph 18(f) above, for each further cooperative approach for inclusion in the centralized accounting and reporting platform in chapter VI.C below (Centralized accounting and reporting platform).

**Source: SBSTA 2019**

The initial report must also contain information that demonstrates that a Party meets the Article 6.2 participation responsibilities and – where a BTR has not been submitted yet – a description of the NDC in line with paragraph 64 of the annex to decision 18/CMA.1 (see below). The participation responsibilities include being a Party to the Paris Agreement, having communicated an NDC, establishing arrangements to authorise the use of ITMOs towards its NDC and track ITMOs, and having submitted the most recent national inventory report.

It should be noted that the Article 6.2 draft text provides reporting flexibility for LDCs and SIDS where the requirements relate to NDCs and other ‘special circumstances’ that may be recognised in further decisions of the CMA. This could be interpreted to mean that LDCs and SIDS may evoke their special circumstances and thus, not follow a particular Article 6 guidance when such guidance builds on requirements related to their NDCs. The SBSTA work programme is expected to further elaborate on these special circumstances and the support needed by LDCs and SIDS to meet the Article 6 participation requirements.

#### **Table 5: Participation responsibilities**

**4.** Each participating Party shall ensure that:

**4(a)** It is a Party to the Paris Agreement

**4(b)** It has prepared, communicated and is maintaining an NDC in accordance with Article 4, paragraph 2 of the Paris Agreement and decision 4/CMA.1

**4(c)** It has arrangements in place for authorizing the use of ITMOs towards NDCs pursuant to Article 6, paragraph 3 of the Paris Agreement

**4(d)** It has arrangements in place, consistent with this guidance and relevant decisions of the CMA, for tracking ITMOs

**4(e)** It has provided the most recent national inventory report required in accordance with decision 18/CMA.1

**Source: SBSTA 2019**

Although a Party is not required to have submitted its first BTR prior to participating in cooperative approaches, a Party is already required through the initial report to provide a description of its NDC with the elements set out in paragraph 64 of 18/CMA.1. The description of the NDC will serve as the basis against which progress will be tracked, and must include:

- a description of targets, including the type of target, target year or period (single-year or multi-year);
- the applied baseline or reference point;
- time frame for implementation;
- scope and coverage of the NDC;
- intention to use cooperative approaches for NDC achievement; and
- updates to previously reported information.

**Table 6: Reporting requirements regarding the NDC description in paragraph 64 of Decision 18/CMA.1**

**64.** Each Party shall provide a description of its NDC under Article 4, against which progress will be tracked. The information provided shall include the following, as applicable, including any updates to information previously provided

**64(a)** Target(s) and description, including target type(s) (e.g. economy-wide absolute emission reduction, emission intensity reduction, emission reduction below a projected baseline, mitigation co-benefits of adaptation actions or economic diversification plans, policies and measures, and other)

**64(b)** Target year(s) or period(s), and whether they are single-year or multi-year target(s)

**64(c)** Reference point(s), level(s), baseline(s), base year(s), or starting point(s), and their respective value(s)

**64(d)** Time frame(s) and/or periods for implementation

**64(e)** Scope and coverage, including, as relevant, sectors, categories, activities, sources and sinks, pools and gases

**64(f)** Intention to use cooperative approaches that involve the use of internationally transferred mitigation outcomes under Article 6 towards NDCs under Article 4 of the Paris Agreement

**64(g)** Any updates or clarifications of previously reported information (e.g. recalculation of previously reported inventory data, or greater detail on methodologies or use of cooperative approaches).

**Source: UNFCCC 2018a**

Several reporting obligations in the context of the initial report remain unclear and would probably require further articulation to ensure Parties are able to apply the requirements consistently (see Annex B for an itemized analysis). This lack of clarity can be categorised in different groups.

### ***Unclear reporting obligations***

Some initial reporting requirements use **unclear expressions or terminology**, e.g.: “applied consistently” in relation to ITMO metrics and methods (but without referring to which aspect should be consistent) or “where this is not possible” in the context of quantification of NDCs (which might have been added to capture instances where NDCs cannot be quantified ex-ante, for instance, for intensity-based targets). It is also not clear in the context of the participation responsibilities how Parties should report that they are ‘maintaining’ an NDC.

Other initial reporting obligations have an **unclear scope**. For instance, in the context of the participation responsibilities, it is unclear how a Party is expected to demonstrate that its NDC is prepared in accordance with Article 4.2 and decision 4/CMA.1. It is also unclear what level of detail is to be provided on “arrangements in place for authorizing the use of ITMO” and “for tracking ITMOs” and whether this includes, for instance, reporting on the eligibility criteria to be applied when approving activities, the types of technologies targeted, different types of approvals which can be granted, and arrangements for the distinction between mitigation outcomes supported via climate finance vs. carbon finance.

Moreover, paragraph 19 of the Article 6.2 draft text requires Parties to submit information on each cooperative approach in which it participates, after it has submitted its initial report. The current negotiation text **does not provide clarity on how and when this information should be reported**. Section 3.3 below discusses this question on timing in more detail.

### ***Unclear application of flexibility***

There is no mentioning of flexibility in the Article 6.2 draft text. The absence of any reference to flexibility indicates that this might not be available to countries in the context of cooperative approaches (with the exception to the special treatment expressly awarded to LDCs and SIDS). However, this is not a clear-cut interpretation and still raises doubts as to how flexibility provided under decision 18/CMA.1 could be reconciled with Article 6.2 participation and initial reporting.

The flexibility provided under the ETF refers mostly to the NIR. Developing countries could, for instance, exercise flexibility by postponing implementation of a quality assurance and quality control (QA/QC) plan in line with the IPCC, or only providing a qualitative assessment of uncertainty in emissions and removals (as opposed to a quantitative assessment). They could also present a limited annual time series starting from 2020 (rather than from 1990). The use of flexibility in these instances could create difficulties for the Parties (and for the international community as a whole) to evaluate the real implications of their cooperative approaches in implementing and (over-)achieving their NDCs. A full list of areas, where Parties can exercise flexibility is included in Annex A.

Besides the NIR, developing countries may also invoke flexibility with regard to reporting the estimates of expected and achieved GHG emission reductions for their NDC actions, measures and policies. This flexibility generates an information gap with regard to understanding how mitigation outcomes are generated against NDC baselines.

### ***Information gaps***

The initial report does not require participating Parties to report certain information that would contribute to safeguarding the environmental integrity of cooperative approaches and how these can assist the countries in increasing their mitigation ambition. For instance, there is no specific requirement for a Party to estimate ex-ante and communicate the amount of ITMOs a Party may be willing to transfer and/or acquire during the NDC implementation period. There is also no requirement for a Party to quantify or estimate the impact of a cooperative approach in which it participates in relation to the reference level or baseline, as well as the NDC target. While such information may be difficult for the participating Parties to provide prior to cooperation, a requirement to report on the considerations and methods that would be applied to calculate these numbers would already increase predictability and transparency, and entice host countries to think about ambition and the role of carbon markets to achieve their targets from the start.

Most importantly, the current requirements for the initial report do not ask Parties to report on how the cooperative approach in which they participate ensures environmental integrity. This would include reporting on whether the cooperative approach is additional, accounts for ITMOs in line with the TACCC principles, and contributes to increased ambition. The latter information element is only requested under regular information, resulting in an information 'gap' when Parties initially start participating in cooperative approaches.

### 3.2.4. Reporting requirements in annual information (Article 6.2)

Following the latest negotiation texts on Article 6.2, Parties that wish to participate in cooperative approaches are required to submit annual quantitative information on their trading activities. The annual information must (*shall*) contain annual ITMO accounting information that enables the transparent tracking of ITMOs.

**Table 7: Reporting requirements for annual information**

**20.** Each Party shall, on an annual basis and in an agreed electronic format, submit to the Article 6 database referred to in chapter VI.B (Article 6 database) annual information on: \*

- ITMO authorization
- First transfer
- Transfer
- Acquisition
- Holdings
- Cancellation
- Use towards NDCs
- Authorization of ITMOs for use towards other international mitigation purposes
- Voluntary cancellation

and specify the cooperative approach, the other international mitigation purposes, first transferring participating Party, using participating Party and year in which the mitigation occurred, sector and activity type, as applicable.

*\*bullets added by the authors*

**Source: SBSTA 2019**

The information required as part of the annual information is relatively straightforward as it is quantitative information that can easily be presented in 'an electronic format'. How the electronic format would look like exactly is to be designed in conjunction with the design of the Article 6 database. The electronic format can be prepared as a template that Parties can complete online.

An open issue that potentially impacts the transparency and integrity of reporting in the context of Article 6, are the conversion factors applied to non-GHG cooperative approaches. Without agreed conversion factors, the mitigation impact of traded ITMOs might not necessarily correspond.

### 3.2.5. Reporting requirements in regular information (Article 6.2)

Following the latest negotiation texts on Article 6.2, Parties that wish to participate in cooperative approaches are required to submit regular information. The purpose of the regular information is to have continuous reporting on a Party's participation in cooperative approaches beyond reporting on the accounting of ITMOs. Parties must ("*shall*") provide information on how the Party is fulfilling procedural requirements, such as meeting the participation responsibilities and having in place procedures for applying corresponding adjustments, information on the cooperative approaches that the Party engages with, and annual information on ITMO accounting for tracking ITMOs.

The regular information is differentiated into three categories:

- Reporting on a Party's participation in cooperative approaches.
- Reporting on how each cooperative approach meets the requirements.
- Reporting of annual quantitative information.

**Table 8: Reporting requirements for regular information**

**21. Each participating Party shall include in its biennial transparency reports the following information in relation to its participation in cooperative approaches:**

**21(a).** How it is fulfilling the participation responsibilities referred to in chapter II above (Participation)

**21(b).** Updates to the information provided in its initial report, referred to in paragraphs 18 and 19 above, and any previous biennial transparency reports

**21(c).** Information on its authorization(s) of the first transfer and use of ITMOs towards NDCs and other international mitigation purposes including any changes to earlier authorizations, pursuant to Article 6, paragraph 3 of the Paris Agreement

**21(d).** How corresponding adjustments undertaken in the latest reporting period, pursuant to chapter III (Corresponding adjustments) are representative of progress towards implementation and achievement of its NDC and ensure that participation in cooperative approaches does not lead to a net increase in emissions within and between NDC implementation periods

**21(e).** How it has ensured that ITMOs acquired and used towards achievement of its NDC and those authorized mitigation outcome(s) used for other international mitigation purposes, will not be further transferred, cancelled or otherwise used.

**22. Each participating Party shall also include, in its biennial transparency reports submitted in accordance with decision 18/CMA.1, the following information on how each cooperative approach in which it participates:**

**22(a)** Contributes to the mitigation of greenhouse gas emissions and the implementation of its NDC;

**22(b)** Ensures environmental integrity, including that there is no net increase in global emissions, through robust, transparent governance and the quality of mitigation outcomes, including through stringent reference levels, baselines set in a conservative way and below 'business-as-usual' emission projections (including by taking into account all existing policies and addressing potential leakage) and minimizing the risk of non-permanence of mitigation and when reversals of emissions removals occur, ensuring these are addressed in full

**22(c)** Where a mitigation outcome is measured and transferred in tCO<sub>2</sub> eq, provides for the measurement of mitigation outcomes in accordance with the methodologies and metrics assessed by the IPCC and adopted by the CMA

**22(d)** Where a mitigation outcome is measured and transferred in a non-greenhouse gas metric determined by the participating Parties, the information required by relevant future decisions of the CMA

**22(e)** Provides for, as applicable, the measurement of mitigation co-benefits resulting from adaptation actions and/or economic diversification plans

**22(f)** Applies any limits set out in future guidance from the CMA pursuant to chapter III.E (Limits to the transfer and use of ITMOs)

**22(g)** Is consistent with the sustainable development objectives of the host Party, noting national prerogatives

**22(h)** Results in a contribution to adaption financing pursuant to chapter VII (Ambition in mitigation and adaptation actions), if applicable

**22(i)** Contributes to overall mitigation in global emissions pursuant to chapter VII (Ambition in mitigation and adaptation actions), if applicable.

**23. Each participating Party shall include the following annual information report, consistent with chapter III.B above (Application of corresponding adjustments), in each biennial transparency report submitted pursuant to decision 18/CMA.1, and in the Article 6 database pursuant to chapter V1.B (Article 6 database) and shall include any updates to information submitted for previous years in the NDC implementation period.**

**23(a).** Annual and cumulative emissions and removals from the sectors and greenhouse gases covered by its NDC

**23(b).** Annual and cumulative quantity of ITMOs first transferred

**23(c).** Annual and cumulative quantity of mitigation outcomes authorized for use, for other international mitigation purposes

**23(d).** Annual and cumulative quantity of ITMOs used towards its NDC

**23(e).** For the information in (b) to (d) above, the cooperative approach, sector, transferring Party, using Party and vintage of the ITMO;

**23(f).** For tCO<sub>2</sub> eq metrics, an annual emissions balance, as applicable, consistent with Chapter III. B (Application of corresponding adjustment)

**23(g).** For non-greenhouse gas metrics determined by participating Parties, annual adjustments, consistent with chapter III above (Corresponding adjustments) and further guidance adopted by the CMA

**23(h).** Each participating Party shall, in each biennial transparency report that contains information on the end year of the NDC implementation period, include in its assessment of whether it has achieved the target(s) of its NDC pursuant to decision 18/CMA.1 paragraph 70, the application of the necessary corresponding adjustments consistent with chapter III (Corresponding adjustments)

**Source: SBSTA 2019**

A number of reporting obligations in the context of the regular report remain unclear and would benefit from further specification to ensure Parties are able to apply the requirements consistently (see Annex B for an itemised analysis of these reporting requirements).

We note that some of the reporting requirements in the context of the regular report will need further substantive guidance by the CMA regarding their content. This includes a decision on conversion factors, and future limits to the transfer and use of ITMOs. Parties will need to consider arrangements for how to ensure completeness of reporting prior to these decisions.

### ***Unclear reporting obligations***

The information requirements for the regular information present several **'how requirements'** that leave the door open for interpretation on what the reporting requirements mean exactly. Some of the requirements do not provide enough detail on what needs to be included and explained, and would require additional articulation and break-down so that Parties can report on these in a more complete and consistent manner.

For instance, it is unclear how a Party would demonstrate *how* it ensures that its participation in cooperative approaches **'does not lead to a net increase in emissions within and between NDC implementation periods'**. The formulation appears in several locations of the Article 6.2 Annex, including paragraphs 21.d and indirectly 22.f, as well as in abbreviated form in 22.b (referring only to no net increase in global emissions).

In 21.d, it appears to have been introduced into the Article 6 draft text to safeguard against the risk posed by certain (non-representative) methods for applying corresponding adjustments for single-year targets at the end of the NDC period only (which are favoured by some countries, such as South Korea). Further explanation is needed to assist Parties in understanding and operationalising this principle. It would appear, however, that with the restriction to only two applicable approaches for accounting for single-year targets – either through a multi-year emissions trajectory or through averaging ITMO transfers – the risk of inflating global emissions through ITMO accounting has been curtailed, so that the provision in the chapeau could be met in the reporting, simply by choosing one of the two listed approaches.

However, the provision also applies to undertaking corresponding adjustments in the case of non-GHG metrics, where the mechanics are yet to be developed. If the principle of no net increases in emissions will be agreed in the Article 6.2 annex it will guide the further work of the SBSTA. How Parties, trading in non-GHG ITMOs, fulfil the provision in their reporting in the meantime, is not clear and would have to be explained by the Parties themselves.

Another place where the provision of no net increase in emissions within and between NDC implementation periods indirectly occurs is in paragraph 22.f, concerning the limits to the transfer and use of ITMOs pursuant to chapter III.E of the Art 6.2 Annex.

The chapter contains a catch-all provision that each participating Party shall ensure that the use of cooperative approaches “does not lead to a net increase in emissions of participating Parties within and between NDC implementation periods [...] by applying the limits set out in further CMA guidance”. The introduction of limits on trading, however, remains a vague possibility as paragraph 2.f of the decision text currently only tasks the SBSTA with elaborating any limits that *may* be required pursuant to chapter III.E. Until such limits have been adopted, the reporting requirement remains obsolete.

The use of a ‘how requirement’ can also be particularly problematic for reporting obligations related to **environmental integrity**. Paragraph 22(b) requires Parties to report on how the cooperative approaches in which they participate ensure environmental integrity. This includes how each Party:

- ensures that there is no net increase in global emissions,
- applies robust and transparent governance,
- ensures the quality of the mitigation outcomes,
- applies stringent references levels,
- applies a baseline that is set in a conservative way and below BAU projections (considering existing policies and addressing leakage),
- minimises the risk of non-permanence, and
- addresses non-permanence (if relevant).

This reporting requirement should thus ensure transparent information and a sufficient level of detail to assess the environmental integrity of each cooperative approach. But the exact pieces of information to be reported remain ill-defined. Table 8 below illustrates which ones would likely require further detail and specification.

#### ***Reporting on methodologies in cooperative approaches under the ETF and following decision 4/CMA.1***

Note that, whilst some pieces of information are not specified in paragraph 22(b) of the current Article 6.2 draft text on the regular report, these are already reported by Parties based on other requirements. For example, in the context of CTU, **Decision 4/CMA.1**, Annex I, requires Parties to provide information on assumptions, methodologies and approaches for estimating and accounting for emissions and removals consistent with IPCC guidance, including how the reference indicators, baselines and/or reference levels (including, where applicable, sector-, category- or activity-specific reference levels) are constructed (along with key parameters, assumptions, definitions, methodologies, data sources and models used).

For tracking NDC progress, **Decision 18/CMA.1** also requires Parties to provide a description of each methodology and accounting approach used for targets, the construction of baselines, and the indicators selected. These indicators include key parameters, assumptions, definitions, data sources and models, and metrics used, and where applicable, any sector-, category- or activity-specific methodologies associated with any cooperative approaches that involve the use of internationally transferred mitigation outcomes towards its NDC under Article 4, consistent with CMA guidance on cooperative approaches under Article 6. Paragraph 18 of the Article 6.2 draft text also requires Parties to quantify the mitigation information in its NDC, including the reference level and target level.

### **Proposal on information to report on environmental integrity**

That said, to facilitate the Article 6 technical expert review process and help stakeholders in general to assess risks to environmental integrity, it would be useful to require Parties to present the information under paragraph 22(b) in a more structured and clear way, ensuring the discussion of the environmental integrity of the cooperative approach in the context of the (stringency of its) NDC baseline and target, as well as the Party’s long-term low-carbon development strategy.

**Table 9. Reporting elements on environmental integrity**

Reporting requirement paragraph 22(b)	Related pieces of information
<b>No net increase in global emissions</b>	<ul style="list-style-type: none"> <li>- Representativeness of the method of corresponding adjustment applied</li> <li>- NDC scope</li> <li>- NDC ambition</li> <li>- Metrics applied</li> <li>- Time frame</li> </ul>
<b>Robust, transparent governance</b>	<ul style="list-style-type: none"> <li>- Approval and authorisation processes and criteria</li> <li>- Information on design and operation of activity</li> <li>- Monitoring procedure</li> <li>- Verification procedure</li> </ul>
<b>Quality of mitigation outcomes</b>	<ul style="list-style-type: none"> <li>- Activity type</li> <li>- Activity scope / boundary</li> <li>- Attribution</li> <li>- Additionality of the activity</li> <li>- Monitoring methodology</li> <li>- Approaches for verification</li> </ul>
<b>Stringent reference levels</b>	<ul style="list-style-type: none"> <li>- Methods applied to determine reference level</li> </ul>
<b>Baselines set in a conservative way and below BAU (including existing policies and addressing potential leakage)</b>	<ul style="list-style-type: none"> <li>- Methodologies applied (to assess additionality and calculate baselines)</li> <li>- Credits issued, including actual vs. expected performance, and reasons for deviations</li> <li>- Methodologies applied to assess and calculate leakage</li> <li>- Account in accordance with methodologies and common metrics assessed by the IPCC</li> </ul>
<b>Minimising the risk of non-permanence</b>	<ul style="list-style-type: none"> <li>- Methodology applied to assess non-permanence risk</li> <li>- Discount rates applied, if relevant</li> <li>- Approach for replacement of units if non-permanent, if relevant</li> </ul>
<b>Addressing reversals (if relevant)</b>	<ul style="list-style-type: none"> <li>- Methodology applied to assess and calculate reversals</li> </ul>

**Source: authors**

More generally, it is also worth noting that the use of specific words to describe a reporting requirement can have a significant impact on how Parties will understand what is required of them to meet the reporting obligation. For example, asking a Party to ‘describe’ it is meeting a certain requirement constitutes a different reporting obligation from asking a Party to ‘demonstrate’ it is meeting certain requirement. To ‘demonstrate’ requires Parties to provide information and evidence on the steps it has taken to come to the outcome it is reporting on, whereas ‘descriptions’ can be limited to providing a narrative of the situation. Similarly, asking a party to report ‘that’ it is meeting a requirement can have different implications from requiring reporting on ‘how’ it is meeting that requirement.

Also, to be aware of the implications of the choice in language, and to ensure consistency between the reporting obligations under the ETF and Article 6, it is important for the Article 6 and ETF negotiation teams to closely coordinate, and be aware of how the reporting requirements are operationalised in both contexts.

### ***Missing pieces of information***

With respect to **environmental integrity**, there are also some pieces of information that would be crucial for the integrity of cooperative approaches which Parties are not currently required to provide. This includes reporting on how a Party ensures the additionality of created mitigation outcomes. Other than in the definition of ITMOs, additionality is not currently addressed by the Article 6.2 draft text.

In addition, in the Article 6.2 text, Parties are currently not required to report on the monitoring procedures and methodologies used, and the methodologies applied for setting stringent reference levels, or assessing and calculating potential leakage and reversals (while there are such requirements in the context of decision 18/CMA.1).

In the context of the contribution to **sustainable development**, paragraph 22(g) asks Parties to report on how the cooperative approaches in which they participate are consistent with the sustainable development objectives of the host Party. While a contribution to sustainable development is one of the core objectives of cooperation under Article 6 (Article 6.1), the requirement to report on sustainable development under Article 6.2 is relatively soft. First, because paragraph 22(g) does not specify the type of information that Parties should provide to create a sufficient level of transparency on how the cooperative approach supports sustainable development in the host country. Second, because the requirement only relates to the sustainable development prerogatives of the host Party. There is no link, for example, to SDG reporting or agreed elements of what Parties consider 'sustainable development'.

Party reporting on several additional pieces of information would be useful to be required in the context of the BTR. These include:

- a description of the host Party's sustainable development objectives;
- a list of national indicators for achieving each sustainable development objective or cross-reference to the relevant publicly available documentation;
- for each cooperative approach, information on which of these sustainable development objectives and indicators the cooperative approach contributes to;
- for each cooperative approach, information on how it contributes to the relevant objectives and indicators; and
- for each cooperative approach, ideally how the Party monitors the contributions to sustainable development and safeguards against negative impacts, at a minimum how contributions to sustainable development are considered.

As Parties are only required to report on how the cooperative approach contributes to the sustainable development objectives of the *host Party*, for each cooperative approach, this information would only need to be reported by the host Party, and could then be referenced by the other participating Party.

Finally, the regular report requires Parties to provide information on its authorisations of the first transfer and use of ITMOs towards NDCs and other international mitigation purposes in an 'annual information report'. The annual information is where Parties report on their corresponding adjustments. It presents quantitative information that the Party has collected as part of the annual information, which can be cross-referenced into CTF in the BTR.

However, other than in the annual information reporting requirement, in the context of regular information, Parties are not required to provide this information on an annual basis. This leaves the door open for Parties to report this information cumulatively in the context of the BTR.

### 3.3. When reporting takes place

This section assesses when reporting takes place for the three distinct layers of reporting under Article 6.2. This includes not only the timeline but also the triggers for reporting. The section also considers how the reporting aligns with the timeline of reporting under the ETF, in particular the preparation of the BTRs.

#### 3.3.1. Initial report

All Parties participating in cooperative approaches are required to submit their initial report “no later than the time of providing or receiving authorization or initial first transfer of ITMOs from a cooperative approach”. The wording applies to both the transferring and acquiring Parties and triggers both the active authorisation by governments as well as an actual flow of ITMOs. The latter encompasses transfers made for use towards other international mitigation purposes such as CORSIA, or other purposes (see the discussion in chapter 3.1). Before a mitigation activity can supply ITMOs for the use towards NDCs or any other purpose, the Party will have to submit its initial report.

This reporting obligation exists independently from any of the reporting obligations and timelines established in the context of the ETF under Article 13. However, *where practical*, the initial report may be submitted in conjunction with the next BTR. Since countries must submit their initial report on or before authorising the initial transfers, the ‘where practical’ qualifier seems to only apply to situations in which the BTR is to be submitted in the same year as the first authorisation of the ITMO. This means that reporting in the context of the initial report will take place between the first authorisations of an ITMO transfer and the latest by 31 December of that same year.

The use of the qualifier “initial” may require further elaboration, as it is currently unclear if it refers to a ‘one-time-only’ submission. Alternatively, “initial” could also be interpreted to mean ‘at every new NDC cycle’. Having an initial report submitted before the beginning of every new NDC cycle could be useful to strengthen transparency, secure environmental integrity, and periodically assess Article 6 readiness. Any additional reporting burden to countries could be reduced by placing greater emphasis and requiring detailed information in the initial report while using the regular report mostly as a vehicle to report updates and changes since the latest initial report (see 3.4 below).

Another unclear aspect is the timing for the requirement to submit “the description of each cooperative approach”, including the expected mitigation and participating Parties involved. According to paragraph 19 of the Article 6 draft text, this description is to be provided for each further cooperative approach in which the Party participates. The timing of this requirement is not specified in the current text.

### 3.3.2. Annual information

All 'participating Parties' are required to submit annual information. Again, this reporting obligation exists independently from any of the reporting obligations and timelines established in the context of the ETF, and covers ITMO transfers for non-NDC purposes. It is not specified in the current negotiation text when exactly the annual information needs to be submitted by Parties. It could be considered that if the information is to be reflected in the annual report to the CMA, the annual information should be submitted by October every year.

### 3.3.3. Regular information

Each 'participating Party' is required to report the regular information in their BTRs, meaning it is due with the Party's next BTR. As with the initial report and annual information, participating Parties include those Parties that authorise ITMOs from a cooperative approach, both for use towards an NDC or for other international purposes.

The BTRs are to be submitted biennially, with the first BTR submitted at the latest by 31st December 2024. While there is no flexibility for Parties to submit BTRs at a lower frequency than every two years, experience with reporting via BURs<sup>5</sup> shows that it is unlikely that developing countries will have the capacity to submit an updated BTR every two years (at least during the initial years of operation of the ETF). Moreover, developing countries have made it clear that reporting is contingent on receiving funding from industrialised countries through the Green Climate Fund (GCF) or other channels.

Note that as part of the regular information, Parties are also required to develop an annual information report. This report reflects information on an annual basis (and this requires Parties to collect annual information) but is only reported biennially through the BTR. The Article 6.2 draft text is not clear on how this 'annual information report' (as per paragraph 23) should be operationalised.

It also remains uncertain how the existing delay in reporting years will be addressed and how this will impact on annual corresponding adjustments and annual emissions balances. For developed countries, the latest reporting year shall be no more than two years prior to the submission of the NIR, whereas for developing Parties this may be three years (if they invoke flexibility). As countries need to apply corresponding adjustments (and obtain an emissions balance) for each year, this will likely be done against the inventory data derived from the most recent NIR. For instance, BTRs (including Article 6 regular information as per paragraph 23) submitted in December 2024 from participating Parties in a cooperative may report different corresponding adjustments:

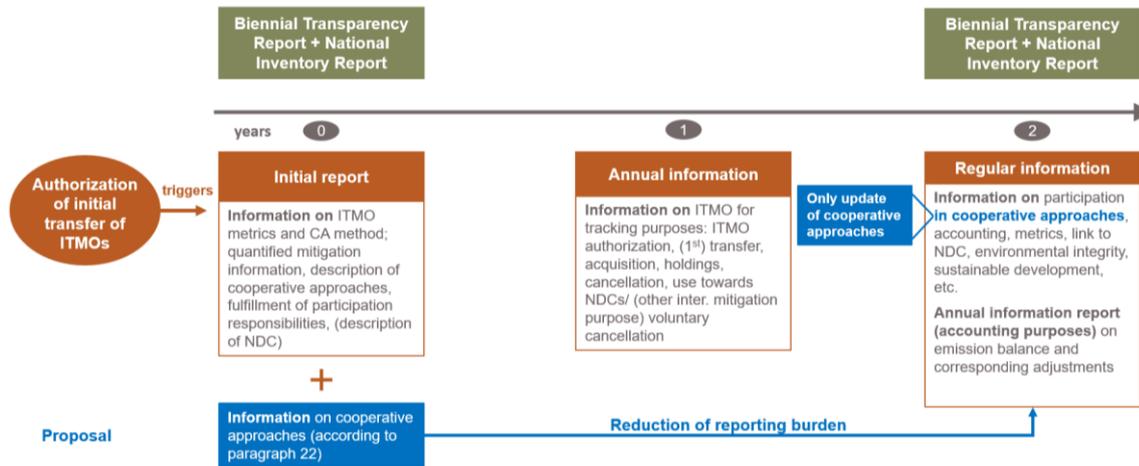
- with respect to developed countries, corresponding adjustments for ITMOs from years 2021 and 2022 applied against the NDC emissions and removals balance, as derived from the NIR for reporting years 2021 and 2022, respectively; and
- with respect to developing countries that apply flexibility, corresponding adjustments for ITMOs from year 2021 (and possibly 2022) applied against the NDC emissions and removals balance, as derived from the NIR for reporting year 2021 (and possibly also for reporting year 2022).

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<sup>5</sup> In June 2020, only 10 Non-Annex I Parties have submitted their 3<sup>rd</sup> BUR since December 2014, with the fourth BUR due by December 2020.

Figure 2 summarises the three steps of reporting in relation to the BTR timeline. As argued above, reporting requirements could be streamlined by only asking for updates to cooperative approaches in the regular information compared to the initial report (see also 3.4 below).

**Figure 2: Overview of Article 6 reporting process and proposal to strengthen initial report**



Source: authors

### 3.4. How complementarity can be ensured

The analysis in this section identifies several opportunities to further streamline Article 6 reporting requirements to ensure complementarity between the different reporting instances, avoiding duplication in reporting efforts without undermining transparency. Some of the suggestions contained here could potentially be operationalised through the outlines and reporting formats currently being developed under the SBSTA. Other suggestions, however, are more comprehensive and may require further specification in the Article 6 draft text.

#### 3.4.1. Ensuring the timely availability of necessary information

The initial report is the only source of information available from the moment Parties start participating in cooperative approaches, as there is no participation requirement that Parties have submitted their BTR. As such, the initial report is the natural place for a 'readiness assessment' offering the necessary information to understand if Parties are in fact ready to participate in cooperative approaches. However, in the current Article 6.2 draft text, the initial report does not include sufficient information for such readiness assessment, as some information required to assess this only becomes available through the regular report. To avoid 'information gaps', the reporting requirements in the initial report should be expanded to include information on:

- ensuring environmental integrity, including additionality and no net increase of global emissions, and consistency with SD objectives;
- domestic processes for eligibility and approval of mitigation activities for ITMO generation, including third-party audits;
- the technologies targeted and abatement costs incurred by the country for Article 6 cooperation, and implications to the country's long-term strategy; and

- the specific volume of ITMOs a Party is willing to transfer/acquire, and the sectors in which a Party may make use of cooperative approaches.

If the scope of the initial report can be expanded, the regular report could focus on providing updates to the information already contained in the initial report. In this case, the regular report could present a standardised table that clearly shows the original information from the initial report presented next to the relevant updated or new information.

Another element to consider in this regard is when Parties report information on the cooperative approaches that start after the submission of their initial report (as per paragraph 19 of the Article 6.2 draft text). The current draft text is not clear about when this information should be submitted to the Centralized Accounting and Recording Platform (CARP). To be able to assess risks to the environmental integrity of the cooperative approaches, however, it is important that this information is available on time.

Different options could be considered here. A first option could be reporting the description of each new cooperative approach as a stand-alone submission, at the time of providing or receiving authorisation or upon *initial first transfer of that cooperative approach*. This would mean that the information is provided the moment the Party starts participating in a cooperative approach. This option would create additional reporting, and potential multiple reporting instances per year, which may complicate the Article 6 reporting timeline and increase the reporting burden on Parties. In addition, such a stand-alone submission would require a separate template to ensure consistent reporting. At the same time, a stand-alone submission would ensure the timely availability of information on each cooperative approach, contributing to the transparency of cooperative approaches.

A second option could be reporting the description of each new cooperative approach in which the Party participates on an annual basis, together with the annual information. This second option integrates the reporting on new cooperative approaches with the already existing reporting timeline. A Party would report once on all 'new' cooperative approaches it has started participating in. As currently the annual information is limited to quantitative information on ITMO accounting, expanding this requirement to include a narrative on each new cooperative approach in which the Party has provided or received authorisation in that year, would mean an increased burden on Parties when providing annual information. Moreover, the electronic format would need to create an appropriate space for including such a narrative.

A third option could be reporting the description of each new cooperative approach in which the Party participates in the regular report. The regular report provides the most 'natural' place for reporting on new cooperative approaches, as the current reporting requirement already includes a requirement for Parties to report on updates to their cooperative approaches. This could be expanded to include reporting on new cooperative approaches as well. Integrating the reporting on new cooperative approaches with the regular report streamlines the Article 6 reporting timeline, but information on new cooperative approaches would become available only on a biennial basis, which may create an information gap when Parties start a new cooperative approach.

### 3.4.2. Avoiding duplication of reporting efforts

As suggested above, to streamline the Article 6 reporting requirements, one option would be to expand the initial report to include greater detail and more articulated information, whilst reserving the regular report largely for updates and new information on cooperative approaches.

Under this option, the scope and frequency of the initial report would be enhanced, for instance, by including more articulated information on environmental integrity, domestic processes for eligibility and approval of activities, and the intended use of cooperative approaches to increase NDC ambition. The initial report would also be submitted before the beginning of each new NDC cycle (rather than as a one-off submission).

In turn, the regular reporting would be focused on demonstrating that Parties continue to meet the participation responsibilities and offer updates in relation to the information submitted in the initial report. This could be done through cross-referencing information where possible to further reduce reporting burden, as well as juxtaposing original information (from the initial report) with updated information (in the regular report).

In addition, other (but less comprehensive) opportunities for streamlining reporting requirements also exist. These are summarised below and further detailed in Annex B.

#### ***Initial report***

As further detailed in Annex B to this report, there is duplication of reporting efforts between paragraph 18(b) and paragraph 18(d) of the Article 6.2 draft text. Similar information is required when it refers to reference point, levels, baselines or starting points, and their respective values, as well as on time frames and/or periods for implementation. To streamline reporting efforts, an option could be to indicate that a Party may cross-reference the quantitative information provided in 18(d).

Also, to streamline reporting in the context of the initial report with future regular reporting, Parties could be required to provide the more detailed information set out in paragraph 22 (in the regular report) as part of the description of the cooperative approach mentioned in paragraph 18(f) (in the initial report). Parties would then only need to communicate updates to this information in subsequent regular reports.

#### ***Annual information***

There is a substantial amount of information required under paragraph 23 which is also required to be submitted under annual information (paragraph 20). To streamline this reporting obligation, it could be easier if the agreed electronic format for annual information under paragraph 20 was transposed into a specific section of the regular information. This would allow Parties to simply plug-in their most recent annual information into the regular report. To provide a full overview, the agreed electronic format might also need to specify cumulative values (rather than just annual values).

Also, if Parties would report on new cooperative approaches (as per paragraph 19 of the Article 6 draft text) as part of the electronic format in the annual information, this format could follow the reporting requirements of paragraph 22 (regular report) to streamline reporting on cooperative approaches.

### **Regular report**

Currently, the regular report requires Parties to provide detailed reporting on each cooperative approach they engage with (as per paragraph 22). Again, following the option to require more detailed information on each cooperative approach through the initial report (and in line with paragraph 22), it could then be considered to only require Parties to provide updates and new information in the regular report. This would also allow Parties to focus their regular report on cross-cutting information (how corresponding adjustments are undertaken, or avoidance of double counting), which could reduce the reporting burden in the regular report.

A similar logic could be applied to the requirement to report on how a Party is fulfilling the participation responsibilities, as per paragraph 21(a). Here, there is also a possibility to better align and simplify regular reporting with the initial report by asking Parties to only report on changes and updates in the regular report.

There is also an opportunity to further streamline the reporting elements regarding the information necessary to report on the quality of mitigation outcomes. Parties are already required to provide a description of each cooperative approach in which they are involved as part of the initial report (paragraph 18(f)). Although the elements that should be included in this description are not defined, elements such as activity type, scope, attribution, approaches for verification and entities involved (including governance) would be suitable to be reported under both paragraph 18(f) and 22(b). Mirroring the elements of these two reporting requirements would further streamline the reporting process, and support transparency regarding the environmental integrity of cooperative approaches.

#### **3.4.3. Structured summary on NDC implementation**

Two key content issues concerning paragraph 77(d) of Decision 18/CMA.1 are flexibility and scope. Paragraph 77(d) does not explicitly refer to flexibility for developing countries that need it. It stipulates that all Parties that participate in cooperative approaches are required to report information as part of the structured summary. Furthermore, paragraph 77(d) specifies that the need for reporting information in a structured summary applies not only to a Party that participates in a cooperative approach, but also to a Party that authorises the use of mitigation outcomes for international mitigation purposes other than achievement of its NDC. This appears to cover mitigation outcomes transacted under CORSIA and possibly in the voluntary markets.

#### **Table 9: Paragraph 77(d) of Decision 18/CMA.1**

**Paragraph 77(d)** - Each Party that participates in cooperative approaches that involve the use of internationally transferred mitigation outcomes towards an NDC under Article 4, or authorizes the use of mitigation outcomes for international mitigation purposes other than achievement of its NDC shall also provide the following information in the structured summary consistently with relevant decisions adopted by the CMA on Article 6:

**(i)** The annual level of anthropogenic emissions by sources and removals by sinks covered by the NDC on an annual basis reported biennially;

**(ii)** An emissions balance reflecting the level of anthropogenic emissions by sources and removals by sinks covered by its NDC adjusted on the basis of corresponding adjustments undertaken by effecting an addition for internationally transferred mitigation outcomes first-transferred/transferred and a subtraction for internationally transferred mitigation outcomes used/acquired, consistent with decisions adopted by the CMA on Article 6;

**(iii)** Any other information consistent with decisions adopted by the CMA on reporting under Article 6;

(iv) Information on how each cooperative approach promotes sustainable development; and ensures environmental integrity and transparency, including in governance; and applies robust accounting to ensure inter alia the avoidance of double counting, consistent with decisions adopted by the CMA on Article 6.

**Source: UNFCCC 2018a**

In relation to the scope, the content of paragraph 77(d) already appears to offer the broad contours of what *must* be reported by countries under the ETF. Paragraph 77(d) was agreed by Parties at Katowice with the caveat that (a) it would not prevent further modifications by Article 6 negotiators under SBSTA; and (b) information is to be provided consistently with the relevant decisions adopted by the CMA under Article 6. As such, we may consider the elements already agreed under paragraph 77(d) as ‘minimum’ reporting elements that would be required to be reported by all countries participating in cooperative approaches.

Item (iii) of paragraph 77(d), in particular, refers to “any other information consistent with decisions adopted by the CMA on reporting under Article 6” and creates the opening needed to add additional informational elements into the structured summary. This could include, for instance:

- a list of the cooperative approaches and transactions that involve the use of ITMOs for international mitigation purposes other than achievement of its NDC;
- ITMOs authorised, and gross and/or net levels of ITMO transfers;
- ITMOs from outside vs ITMOs from inside the NDC scope;
- information related to transfers, acquisitions, balances, and corresponding adjustments for non-GHG ITMOs;
- the application of OMGE; and
- the application of SOP.

However, the level of detailed information that Parties can provide through CTFs in a structured summary may be limited (as the CTF may be only suitable for summarised information). One option to increase completeness would be that the CTF allows Parties to make references to specific sections of the initial report and regular report, where applicable.

Another aspect that remains unclear refers to the relationship between paragraph 77(d) and the regular report under Article 6. One option would be to place the CTF for the structured summary in the body of the BTR only, whereas the regular report would be submitted as an annex to the BTR. The CTF for the structured summary would allow Parties to refer to further information available in the initial report and/or in the regular report that is annexed to the BTR.

Another option that may further facilitate visibility, understanding, and avoid that important information is overlooked, may be to use different CTFs for the structured summary. Under this option, the CTF for information on indicators, reference and target levels, and information on progress made in implementing and achieving NDCs would only appear in the body of the BTR, whereas the specific CTF on the use of cooperative approaches would also be plugged-into the regular report and thus also submitted as an annex to the BTR.

#### 4. Technical expert review on market-based cooperation

Ensuring an effective review in a regime that does not have real sanctions at its disposal, while navigating the sensitivities of transparency on governments' climate actions, is like walking a tightrope. The review ensures that problems are brought to the attention of the global community, which then can put pressure on the country and lead to improvement of the situation. Such problems range from the inability to provide correct information due to capacity constraints, to cases of abuse of market mechanisms through fraud or provision of untrue information.

"[T]he design of the review regime historically has been a politically sensitive topic. Parties have been reluctant to cede any of their national sovereignty and are concerned about the implications of the results of the reviews, including the possible obligation to fulfil reporting requirements and the consequent demand for resources they may not have" (Dagnet et al. 2017, p. 6-7).

Therefore, Parties emphasise the "non-intrusive, non-punitive" enhanced transparency framework. In this context, the technical review has the primary objective of enhancing mutual trust and confidence among Parties by ensuring that the information provided produces a "complete, consistent picture on progress" (Vaidyula and Rocha 2018, p. 34). This is also important to ensure that the information is comparable and allows for an assessment of aggregate efforts in the context of the Global Stocktake.

In the context of international market-based cooperation, the review process is particularly important to improve trust in the integrity of bilateral and multilateral approaches. The review confirms that no double counting has occurred. Over time, the review processes deepen the understanding of all stakeholders of *how* international cooperation contributes to NDC implementation and ambition. The technical expert review plays an important role in the context of triggering 'name and fame' as well as 'name and shame' dynamics. Review reports provide Parties and interested stakeholders with the opportunity to identify and share good practices and lessons learned (Vaidyula and Rocha 2018, p. 34). They also can serve to identify risks to environmental integrity, including loopholes for double counting. While there is no ultimate consequence for inconsistency or non-compliance with reporting obligations, detecting these cases can inform Parties' decisions on designing and engaging in cooperative approaches and may pressure Parties to take remedies, including correcting accounting errors or adapting the design of cooperative approaches.

The technical expert review process can also identify recurring issues across Parties, which would be an important source of input for both, the process of review of the Article 6.2 guidance and for the Article 15 Compliance Committee of the Paris Agreement. These can relate to common problems encountered in specifying baseline and monitoring methodologies, determining additionality of upscaled approaches, or recommendations regarding the diffusion of 'best practice' approaches, particularly in the context of Article 6.2.

Given the political sensitivities around review processes in the context of market-based cooperation, it is important to design a review process that:

- is politically acceptable to Parties, is facilitative in nature and in line with the principles of the ETF, but
- ensures technical accuracy and completeness of the review, extending beyond purely procedural obligations and includes the assessment of the integrity of market-based cooperation.

## 4.1. Current review processes and lessons learned

The review processes in the context of the ETF build on experiences and lessons learned under the Convention and the Kyoto Protocol, in particular the International Assessment and Review (IAR) process that developed countries were subject to in the past.

### 4.1.1. Differentiation of review according to Party development status

The IAR is the process for reviewing developed country actions, aiming to build trust and confidence and promote comparability between efforts. The process consists of technical review of submitted information and a multilateral assessment of its progress in meeting its mitigation targets.

Expert review teams (ERTs) review the annual GHG inventories of Annex-I-countries, as well as the national communications (NCs) and biennial reports (BR) of developed countries. An ERT consists of six experts: A generalist and five sector experts (Energy; IPPU; Agriculture, LULUCF, Waste). Two of these experts are lead reviewers (Pulles 2016). Experts from industrialised countries do not get a salary, so they are dependent on governments to cover their fees if they are independent consultants.

The review extends to GHG emissions and removals related to a Party's quantified mitigation target; assumptions, conditions and methodologies related to achieving its mitigation target; progress towards achieving the mitigation target; and the provision of technical and capacity-building support to developing countries (IIED 2017).

Currently, the Biennial Update Reports (BURs) from developing countries are subject to the International consultation and analysis (ICA) process. The process has the objective of increasing the transparency and effects of mitigation actions and strengthening capacities to improve reporting in subsequent BUR cycles. Parties can determine priority policies and measures they want to focus the ICA on. For political reasons, the process is explicitly not called a review process but consists of a) a technical analysis and b) a facilitative sharing of views. The technical analysis is undertaken by technical teams of experts (TTE), focusing on mitigation related information in the GHG inventory report and the country's mitigation actions and their impacts. They also assess methodologies and assumptions, progress in implementing actions, domestic MRV processes and details of support received (IIED 2017).

### 4.1.2. Formats of review

The current reviews can take place in three different formats: desk-reviews, centralised reviews and in-country reviews. Desk reviews are the most cost- and labour efficient review process and so far, only undertaken for GHG inventories of Annex-I-Parties. Centralised reviews, where the review is undertaken in a centralised location (usually the UNFCCC premises in Bonn), are more labour intensive. They are used for developed country Parties with low emission levels. While there is an option to have centralised reviews for LDCs and SIDS, this option is not used so far. It would allow to reduce costs and enhance sharing of information and lessons learned, but it also limits the opportunities for individualised and targeted feedback<sup>6</sup> (Dagnet et al. 2017, p. 11-12).

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<sup>6</sup> Group reviews are also carried out in other international processes, for instance in the WTO's Trade Policy Review Mechanism that assesses ad-hoc groupings of smaller countries.

In-country reviews are mandatory for National Communications of Annex-I-Parties and the most resource-intensive form of review, while particularly increasing the costs for the Party as there is a deeper involvement of national experts. They also often include meetings of the technical experts with non-governmental organisations for complementary information (Dagnet et al. 2017, p. 12).

The review process leads to the publication of a country-specific report on the UNFCCC website, forwarded to the COP with a written comment by the Party under review. While reviewers do have some discretion in drafting reports, they must avoid political judgements and respect the facilitative nature of the process. Therefore, conclusions presented in the report are often the result of intense discussion and agreement between the review team and country experts (ibid., p. 16-17). In the context of the ICA process for non-Annex-I Parties the report is also made public on a UNFCCC website. The Subsidiary Body for Implementation (SBI) takes note of the published summary report at its next session.

#### **4.1.3. Compliance enforcement options under the Kyoto Protocol**

The Kyoto Protocol included the provision that Parties had to demonstrate in an initial report that they have robust national systems in place to collect data, prepare GHG inventories and report. Annually, developed countries must demonstrate compliance with their emission limitation or reduction targets. ERTs have the possibility to raise 'questions of implementation'. If these questions cannot be resolved, the ERT can refer the matter to the Compliance Committee, which can adopt measures to promote compliance and exclude countries from the participation in international transfer of mitigation outcomes (Weikmans et al. 2020, p. 514). At the same time, the countries must submit a 'compliance action plan' within three months, that is subject to review and assessment by the enforcement branch of the Compliance Committee.

The first case of this kind concerned Greece, where the review concluded that the country lacked the institutional capacity to submit the inventory. The process lasted from December 2007 to November 2008 and took several rounds of interaction between Greece and the Secretariat before Greece's eligibility to participate in markets was re-instated (UNFCCC 2007, 2008a-c). These interactions related to remaining areas of lacking compliance with the requirements after initial improvements. The second case of the same type concerned Bulgaria, which was excluded from participation in international markets in June 2010 and re-admitted in February 2011 (UNFCCC 2011). Romania followed in August 2011 and was re-admitted in July 2012 (UNFCCC 2012a). Ukraine was able to reinstate its eligibility in March 2012, after having been excluded only in October 2011 (UNFCCC 2012b).

The compliance procedure was therefore successful in ensuring Parties had the capacities to participate in markets and account properly. The exclusion from participation in markets provided a clear incentive to improve reporting.

In a similar fashion, in the context of REDD+, countries do not get paid for emission reductions if they do not manage to submit their BURs. While on the one hand this creates an incentive for developing countries to submit their BURs, most developing countries have not managed to submit their BURs regardless. As a result, only the most prepared host countries benefitted from GCF results-based funding so far.

## Box 1: Country reporting on REDD+

The GCF has launched a USD 500 million pilot programme for results-based-payments for REDD+ emission reductions, at USD 5 per tCO<sub>2</sub>e.

Currently, four projects have been approved by the GCF Board.<sup>7</sup> The GCF requires Parties to go through the UNFCCC REDD+ evaluation steps to access funding. This evaluation then feeds into the GCF's own evaluation process.

### REDD+ reporting and review

Parties that wish to generate results-based finance through REDD+ activities need to meet a number of 'participation requirements'. These include that a country should have a national strategy or action plan, an assessed forest reference emission level and/or forest reference level (FREL/FRL), a national forest monitoring system, a system to provide information on how safeguards are being addressed and respected, and finally, the country should have an MRV system in place.

Countries that wish to obtain results-based-payments for their REDD+ activities need to follow a two-step reporting process. In the first step, the country must prepare and undergo the assessment of their FREL. Second, in a similar fashion to the Article 6 regular report that is submitted in conjunction with the BTR, the country submits data and information used for the estimation of anthropogenic forest-related emissions in a technical annex to their BUR. This information needs to be provided every two years, and includes:

- data on emission reductions (or enhancements of removals by sinks) associated with mitigation outcomes compared with the FREL/FRL;
- key assumptions on methodologies;
- sustainability objectives, coverage, and institutional arrangements; and
- information on constraints and gaps as well as support needed and received.

The results presented in the technical annex to the BUR undergo a separate technical analysis, and the review requires specific expertise from two LULUCF experts to assess if the information provided is transparent, consistent, complete and accurate, as well as whether it is consistent with the submitted FREL. The technical assessment is part of the UNFCCC ICA, and only leads to recommendations on potential areas of improvement (the process is non-intrusive, non-punitive, and respectful of national sovereignty). Completion of the technical analysis is a precondition for a Party to obtain results-based finance for REDD+ mitigation outcomes.<sup>8</sup> So far, eight countries have submitted this technical annex.<sup>9</sup>

### Insights from REDD+ reporting and review

Countries can only access results-based finance for REDD+ under the GCF if they report on REDD+ results in their BUR. This provides an incentive for Parties to develop and submit their BURs regularly, and thereby makes information needed to assess the environmental integrity of the market

<sup>7</sup> These are projects in Brazil, Chile, Ecuador and Paraguay.

<sup>8</sup> 9/CP.19

<sup>9</sup> These countries are Brazil, Chile, Colombia, Ecuador, Indonesia, Malaysia, Papua New Guinea and Paraguay.

available regularly. The reporting system reduces the risk for 'information gaps'. At the same time, the high reporting burden is one of the reasons why only a limited number of countries has been able to benefit from results-based finance for their REDD+ activities to date.

Also, the review of BURs that include a technical annex on REDD+ requires the involvement of additional REDD+ experts to appropriately assess the specific REDD+ reporting. The review is aimed at identifying potential areas of improvement. The technical assessment of BURs can identify the *level of compliance* with the criteria, which may increase transparency of the review process. To ensure consistent application, detailed guidance is needed.

#### 4.1.4. Key lessons learned

##### ***Review experts must be given the mandate and the guidance to undertake a thorough analysis***

Given the facilitative nature of the overall process, experience has shown that the technical aspects of the review are crucial for the process to be meaningful (Winkler et al. 2017, p. 863). The review teams must be given the guidance and the mandate to assess the underlying technical information in a thorough manner. In particular, the concept of adjustments allowed expert reviewers to quantify problems encountered in reported information and suggest corrections (Dagnet et al. 2017, p.12). This is of particular importance if review teams will have to evaluate *how* reporting requirements are met, for instance in the context of ensuring environmental integrity. While reporting on *how* a certain requirement is fulfilled requires the submission of more information, this is most likely done in a narrative form, hence the review of substance and ensuring comparability across different reports is more complicated in this context.

The review experience has contributed to clarifying the TACCC principles and there is a yearly updated document agreed by lead reviewers on BR and NCs, for instance providing guidance on how to distinguish between "completeness" and "transparency" (Dagnet et al. 2017, p.17). For an effective review process, there must be clear criteria for reporting on both qualitative and quantitative information and these criteria can then be converted into benchmarks in the review process (Vaidyula and Rocha 2018, p. 35).

According to Dagnet et al. (2017), there is in-depth technical experience about reviewing mitigation-related information, which is an important precondition to assess market-based cooperation. However, the authors also stress, in that context, the lack of internationally agreed-upon common methodologies for quantifying impacts of policies and measures and preparing GHG mitigation projects. This is worrisome, particularly in the context of upscaled mitigation approaches that may lead to trading mitigation outcomes.

This problem is compounded by the urgent need for new guidance to assess the more diverse contributions allowed under the Paris Agreement that go beyond the quantified emission targets of the Kyoto Protocol (Dagnet et al. 2017, p.10). Therefore, there is a need to develop additional guidance.

### ***The current review process suffers from delays and inefficiencies***

While “many aspects of the existing review process have worked well [...] the current regime also suffers from unclear guidance, inefficiencies, and delays, which could be exacerbated by the expected increase in the number and frequency of reviews” (Dagnet et al. 2017, p.1).

In the past, unpredictable reporting delays have affected the frequency of reviews and impacted the efficiency of the review process. Unpredictable submissions of reports make it difficult for the Secretariat to mobilise the required experts. In addition, responses from Parties in the process have been slow and the tight deadlines very challenging for the experts (Dagnet et al. 2017).

Therefore, lean processes must be designed, which is a challenge, given the breadth of issues all Parties must now report on and the existence of different review processes.

### ***There are huge costs associated with the review process***

While the review process is mandatory, it relies on inputs from experts that participate in the process on a voluntary basis. The associated costs of a particular review remain unclear and the associated workloads vary between countries and formats of review. According to Pulles (2016), an in-country review requires approximately 150 working days, while a centralised review requires around 80. Pulles estimates that the annual review of NIRs of Annex-I-Parties amounts to a workload of 4000 working days, a quarter of which is provided by Secretariat staff.

Independent review experts act in a personal capacity and must be nominated by a Party or intergovernmental organisation. If they are from developed country Parties, they need to secure their own funding. The high, unpaid workload associated with reviews could be one explanation why there is a high rate of experts declining reviews of BRs of developed country Parties (57% of contacted experts declined in 2014-2015 and 36% in 2016). At the same time, the demand for experts is high: During the 2016 review cycle, 217 experts participated in the reviews of Annex-I GHG inventories, and 112 reviewers participated in the review of Annex-I BRs and NCs.

In the context of the ETF, undertaking the technical review of more than 190 BTRs every two years as well as a (simplified) review of NIRs in the interim years, will pose a burden on the system, especially the UNFCCC Secretariat (Dagnet et al. 2017, p. 19). Not only because starting in 2022, the Secretariat estimates that it will need around 1500 experts, but also because more training will be needed for both existing and new experts, which entails financial costs (UNFCCC 2019).

## **4.2. Current status of the Art. 13 review process**

The enhanced transparency framework includes a technical expert review, followed by a facilitative, multilateral consideration of progress. In that context, it is especially the TER that is “an essential cog in the transparency process to ensure continuous improvement over time” (Winkler et al. 2017, p. 867).

#### 4.2.1. The Article 13 TER

The Article 13 TER shall review if the information submitted is consistent with the MPGs of the ETF in the following contexts:

1. The NIR
2. The information necessary to track progress in implementing and achieving the NDC, *which includes information on cooperative approaches and the transfer and use of ITMOs as required in paragraph 77(d) of decision 18/CMA.1*
3. The information on financial, technology development and transfer, and capacity-building support provided to developing country Parties

While countries must report when they apply flexibility, clarify capacity constraints and provide (self-determined) time frames for improvement of capacity constraints, the TER is not allowed to assess a Party's determination to apply flexibility, in the context of provisions that do foresee this option. However, the TER can identify capacity-building needs of developing countries, in line with their application of self-determined flexibility (UNFCCC 2018a).

Under SBSTA, Parties are currently negotiating a training programme for the TER experts, which must be informed by the scope and mandate of the TER as well as the outline of the TER report. Regarding the latter, this is not a very controversial issue as the report follows largely the paragraphs of decision 18/CMA.1.

**Table 10: Main elements of the Article 13 technical expert review**

Element	Content
<b>Scope</b>	<ul style="list-style-type: none"> <li>Review of the consistency of information submitted</li> <li>Consideration of the Party's implementation and achievement of its NDC</li> <li>Consideration of the Party's support provided, if applicable</li> <li>Identification of areas of improvement</li> <li>Assistance in identifying capacity building needs (for developing countries)</li> </ul>
<b>Process shall not</b>	<ul style="list-style-type: none"> <li>Make a political judgement</li> <li>Review appropriateness of a Party's NDC or support provided</li> <li>Review the Party's self-determined flexibility</li> </ul>
<b>Information to be re-viewed</b>	<ul style="list-style-type: none"> <li>National GHG inventory</li> <li>Information necessary to track progress made in implementing and achieving its NDC</li> <li>Information on financial, technology development and transfer, and capacity building support provided to developing country Parties</li> </ul>
<b>Format</b>	<ul style="list-style-type: none"> <li>Centralised review</li> <li>In-country review</li> <li>Desk review</li> <li>Simplified review</li> </ul>
<b>Composition of Technical Expert Review Team (TERT)</b>	<ul style="list-style-type: none"> <li>Collective skills and competencies of the TERT correspond to the information to be reviewed</li> <li>Balance between experts from developed and developing country Parties</li> <li>Geographical and gender balance</li> <li>2 lead reviewers, from each developed and developing country Party</li> <li>Reviews of BTRs from LDCs and SIDS to be preferably performed by technical experts from LDCs and SIDS</li> </ul>

<b>Outcome</b>	TER report with recommendations for improvement and an analysis of capacity building needs (for developing countries) Annual synthesis report on TER, published together with BTRs, NIRs and records of the FMCP (see below) on the UNFCCC website
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**Source: based on GIZ (2019), p. 39-40 and UNFCCC (2018a), p. 45-50**

### ***Mandate and scope of review in relation to markets***

Information submitted in the context of paragraph 77(d) is clearly subject to the Article 13 TER. Here, Parties do not have the option of self-determined flexibility, a precondition for comparable information. As the paragraph 77(d) includes reference to guidance related to Article 6, the mandate of the Article 13 TER extends to the review of the required information in line with the Article 6.2 guidance.

However, other information submitted is also relevant for market-based cooperation, in particular the annual emissions balance of sources and sinks covered by the NDC to perform corresponding adjustments and further information on NDCs that is important to judge the integrity of cooperative approaches. Therefore, the close coordination of both review processes is indispensable.

### ***Competencies of the experts***

The scope of the review has an impact on the composition of the TER team and its required competencies and training (Dagnet et al. 2017, p. 3). Ongoing negotiations on a training programme for reviewers should consider capacities and competencies of experts with regard to market-based cooperation.

According to the MPGs of the ETF, the technical experts must have recognised competence in the area to be reviewed. The team must include experts for each significant GHG inventory sector as well as cooperative approaches and internationally transferred mitigation outcomes, as relevant (UNFCCC 2018a, paragraph 176). Therefore, as soon as a Party is engaged in market-based cooperation, the technical expert review must include Article 6 experts.

There will be two lead reviewers, one from a developed and one from a developing country Party, that are mandated to ensure quality and objectivity of the review and consistency across Parties. These lead reviewers shall meet annually to discuss how to improve quality, efficiency and consistency of TERs (UNFCCC 2018a, paras 184-186).

### ***Timeline and process***

The BTRs will be subject to an in-country, centralised or desk review.

In-country reviews are applied to at least two BTRs within 10 years, but definitely for

- the first BTR of a Party;
- the BTR that contains information on the achievement of the Party's NDC;
- a BTR, if recommended by the previous TER; and
- if the concerned Party requests it.

Developing countries that need flexibility can choose to undergo a centralised instead of in-country review. Also, LDCs and SIDS can choose to participate in the same centralised review as a group, where the same review team assesses BTRs from several countries.

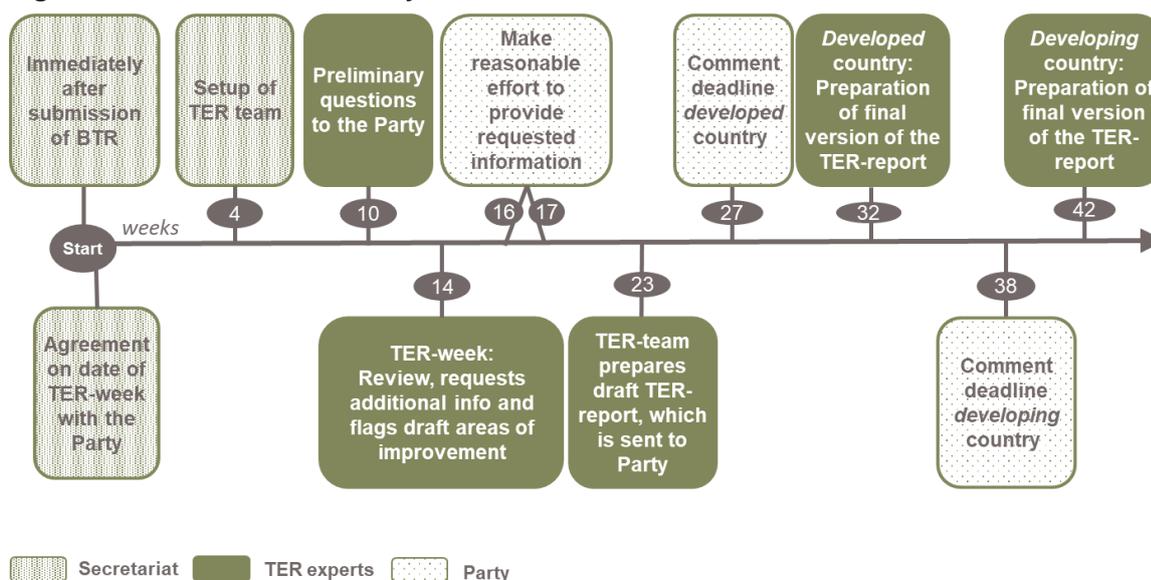
A desk review should not be conducted more often than once every five years.

The process for all three types of review will be the same (see timeline in Figure 3).

- The submission of the BTR triggers the preparation of the review process by the Secretariat, that puts together the review team.
- The review team can ask preliminary questions to the Party.
  - The Party under review “should make any reasonable effort” to provide requested information.
- At the end of the technical review week, the expert shall communicate to the Party draft areas for improvement, preliminary “recommendations” and “encouragements” and capacity-building needs identified in consultation with the Parties for those who need it in light of their capacities.
- Afterwards, the team shall prepare a draft report and send it to the Party through the Secretariat.
- Parties can comment on the report before the TER team submits the final report.

The TER team shall “make every effort” to complete the report within 12 months. The fastest process possible would be eight months, if the TER week is scheduled immediately after submission of the BTR and the Party under review provides comments to the draft review report within one month (see below).

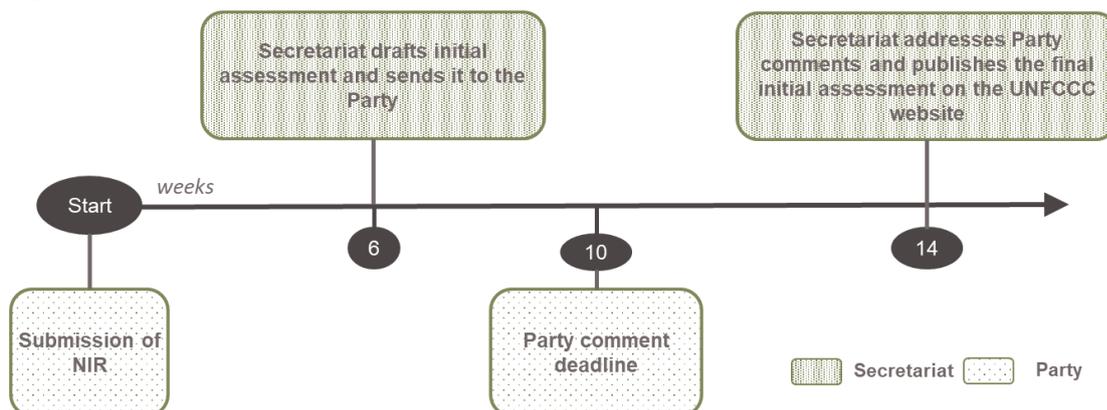
**Figure 3: Timeline for in-country, centralised and desk review**



**Source: adapted from Michaelowa (2018), p. 33**

If the annual GHG inventory is not submitted in conjunction with a BTR, this document can undergo a simplified review by the Secretariat and be finalised within two and a half months (see Figure 4).

**Figure 4: Timeline of the simplified review process**



Source: adapted from Michaelowa (2018), p. 34

In the context of market-based cooperation, the review of the first BTR of each NDC implementation period is of particular importance as the review of the accounting methodologies and other information on clarity and transparency of NDCs is the foundation for the assessment of environmental integrity of cooperative approaches and their contribution to the NDC.

#### 4.2.2. The FMCP

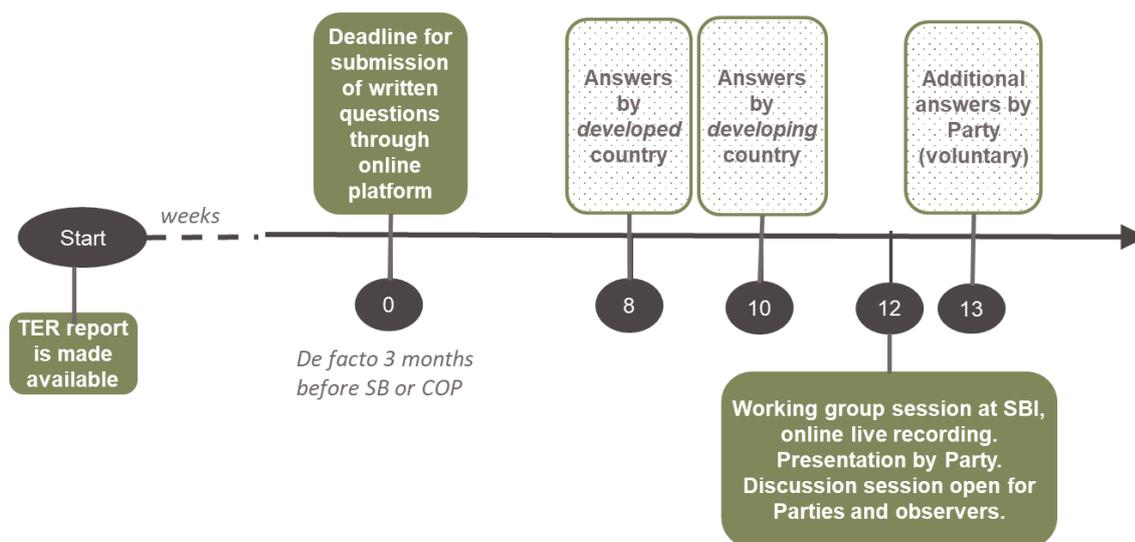
The facilitative multilateral consideration of progress (FMCP) “provides an important political space, with technical rigour deriving from TER” (Winkler et al. 2017, p. 863). The process will apply to all countries and will focus on mitigation, finance and achievement of NDCs. The information on implementing and achieving NDCs, and thereby also the information submitted on cooperative approaches, will be subject not only to the TER but also to the FMCP which “carries a strong sense of accountability” (Winkler et al. 2017, p. 862) in the context of the bottom-up nature of the Paris Agreement. It is therefore also a space for political dialogue on the robustness of international market-based cooperation for NDC implementation. The main elements of the process are summarised in Table 11, the timelines are explained in Figure 5.

**Table 11: Main elements of facilitative, multilateral consideration of progress**

Element	Content
Scope	<ul style="list-style-type: none"> <li>Party’s efforts under Article 9 of the Paris Agreement</li> <li>Party’s implementation and achievement of its NDC</li> </ul>
Information to be considered	<ul style="list-style-type: none"> <li>BTR</li> <li>TER report</li> <li>Any additional information</li> </ul>
Format and steps	<ul style="list-style-type: none"> <li>Written question and answer phase</li> <li>Working group session during SBI sessions open to Parties and observers, where only Parties can ask questions</li> </ul>

Source: GIZ (2019), p. 40-41, based on UNFCCC (2018a)

**Figure 5: Timeline of the FMCP**



Source: adapted from Michaelowa (2018), p.35

### 4.3. The Article 6 review process

The Article 6.2 guidance also foresees a review process following the submission of information by Parties. The links to the Article 13 review process remain unclear, but there is a mandate for further operationalisation of the modalities, procedures and guidelines of the process.

#### 4.3.1. What is in the negotiation texts

The Article 6 TER shall review the consistency of information submitted with the guidance, pursuant to chapter IV (reporting), which relates to the initial report, the annual information and the regular information submitted in the context of the BTR (see chapter 3).

The review team shall prepare a report that “may include recommendations” on “how to improve consistency with the guidance and relevant decisions of the CMA”, including on how to address inconsistencies in quantified information. This gives review teams some degree of freedom on quantifying inaccurate information and suggest corrections (important in the context of accounting tricks and corresponding adjustments). However, the mandate could be strengthened to ‘shall include recommendations, where applicable’. The detailed elaboration of recommendations can strengthen the usefulness of review reports, however, it will also increase the expertise and capacities needed to undertake the review.

The review team shall then forward its reports for consideration by Article 13 TER (SBSTA 2019, paragraphs 25-28<sup>10</sup>).

<sup>10</sup> As there were no changes of the draft annex text on review between December, 13<sup>th</sup> and 15<sup>th</sup>, we only reference the 15.12. text version.

The Secretariat is requested to “prepare periodically a compilation and synthesis of the results of the Article 6 technical expert review, including identification of recurring themes and lessons learned, for consideration by the CMA, including in the context of its review of the guidance” (SBSTA 2019, paragraph 5). However, it is not clear what “periodically” means. Ideally, this would be in coordination with the annual reports on the Article 13 TER process. While such reports may be ‘smoothened’ due to political considerations, they can still be useful compilations, like the annual reports of the CDM Executive Board.

#### 4.3.2. What needs to be defined

The draft decision text requests SBSTA “to develop recommendations for modalities, procedures and guidelines for the review pursuant to chapter V of the annex (Review), including in relation to the Article 6 technical expert review team, in a manner that minimizes the burden on Parties and the Secretariat, and including coordination of the Article 6 technical expert review with the technical expert review referred to in chapter VII of the annex to decision 18/CMA.1 for consideration and adoption by the CMA at its fourth session” (SBSTA 2019, paragraph 4).

The following elements need to be fully operationalised:

(1) The **scope of the review**, defining the type of assessment the review experts can undertake and the questions for clarification they can ask Parties under review. This requires guidance, and on this basis, the development of training programmes. The guidance could take the form of a manual, similar to the Validation and Verification Manual of the CDM or similar crediting standards.

In the guidelines for Joint Implementation (JI), there is a mandate to elaborate the review and revision of reporting guidelines as well as criteria for baselines and monitoring in consideration of ‘relevant work’ of the CDM Executive Board (UNFCCC 2005, annex, paragraph 3d). This could be replicated in the context of the review guidelines for the Article 6.2 TER. This would ensure consistency in the operationalisation of key principles across different Article 6 market-based approaches.

(2) The **composition of the TER teams** and the responsibilities of the lead reviewer(s).

(3) The **processes and formats** through which the review is carried out, which has implications on resource needs, but also comparability and consistency across reviews and the level of transparency and inclusiveness of the process itself. In the context of Article 6.2, it may be advisable to consider the simultaneous review of information submitted by Parties cooperating in the same cooperative approach. While this would be challenging to implement. If most information is submitted in the BTR and there might be lags in Parties’ reporting, this could be more easily ensured if most of the necessary information is submitted in the initial report (see discussion in chapter 0).

#### 4.3.3. Implications on resource needs

It seems reasonable to assume that the time requirements for an Article 6 review would be roughly proportional to the volume of Article 6 action, but the higher the more different approaches (6.2 frameworks with different countries, different scales, different technologies) are applied. We assume for the review of the initial report and analysis of regular information:

- **Five days for basic project management**, bringing together the experts and ensuring communication with the implied participating Parties.
- **Three to five days per specific Article 6.2 approach**, in particular the review of general environmental integrity and accounting guardrails. The difference in review time required is mostly linked to the scale of the Article 6.2 approach suggested. Approaches based on policies may need more time than project/programme-based ones.
- **One to two days per type of technology**. For technologies where a lot of experience regarding their mitigation benefits exists, the review would be less time-consuming than for new technologies such as negative emission technologies.

Upscaled approaches would require two to three days extra. This would mean, for example, that a country with three Article 6.2 approaches, three technologies and one upscaled approach would need approximately 25 working days.

Ideally, there would be a reporting and review component of country contributions to the budget of the UNFCCC Secretariat, covering these costs.

Another model to replicate could be taken again from the historical example of JI. Here, the administrative costs arising from the application of the guidance and the functions of the Kyoto Protocol's Article 6 Supervisory Committee shall be borne by both Annex-I Parties and the project participants (UNFCCC 2005, paragraph 7). If this historical example would be replicated, negotiators could consider the establishment of an administrative fee for engagement in cooperative approaches. The administration fee could be increased by the level needed to administer the reviews. The costs associated with the review of information on bilateral cooperation under Article 6.2 information will be significantly higher than the review of information on engagement in the Article 6.4 mechanism, as the presence of international oversight will limit the need for review to the associated accounting issues.

#### 4.4. Linking both review processes

This report focuses on the relationship between the Article 6 and the Article 13 review process. However, it should be noted here that there are two broader processes relevant in this context under the Paris Agreement: The Global Stocktake taking place every five years and the work of the Article 15 Committee, if a country does not submit its BTRs (Weikmans et al. 2020, p. 517). The BTRs will be a source of input to the Global Stocktake, and therefore also the use of market-mechanisms for NDC implementation. It is unclear if the TER reports will also be considered in this context.

The Article 15 Committee may begin a "facilitative consideration of issues" in case of "significant and persistent inconsistencies" between a Party's report and the Article 13 MPGs, based on recommendations in TER reports (UNFCCC 2018b).

In order to avoid overlaps and streamline reviews in years where BTR and Article 6 reports are due at the same time (Vaidyula and Rocha 2018, p.36), the annual information should be integrated into the BTR and there should not be a separate Article 6 review. If, however, due to invoked flexibility, the BTR will not be submitted as planned, the Article 6 information should remain separate and be reviewed individually.

#### 4.4.1. Elaboration of common guidance on market-based cooperation

Where relevant, the guidance documents for market-based cooperation should be elaborated in a manner to maximise harmonisation of the review of the broader transparency requirements. Broader principles relevant for the Paris Agreement should be interpreted in a consistent manner, while specifying their operationalisation in an Article 6 context. There is a need to operationalise the principles of consistency, comparability and accuracy in the context of market-based cooperation.

For these principles it will be necessary to develop guidance:

- The principle of no net increase in and between NDC implementation periods.
- The contribution of cooperative approaches to NDC implementation.
- Ensuring environmental integrity, in particular the definition of “no net increase in global emissions”, standards of robust and transparent governance and standards for the quality of mitigation outcomes (baselines, additionality, non-permanence and leakage).

As discussed above, the review guidance should be not only consistent with the review process of the Article 13 TER, but also with the operationalisation of these principles in the context of the Article 6.4 mechanism, at least when it comes to projects and programmes.

The review guidance document or manual should be updated annually after consultation of lead reviewers (as it is practice under existing processes). Lead reviewers should also be encouraged to identify challenges in the review process, which could be considered in the context of updating the Article 6.2 guidance as a whole.

#### 4.4.2. Composition of review teams

Comparability and consistency of a review should also be ensured through personnel continuity. Ideally, the lead reviewer of the Article 6 initial and annual reports of a specific cooperative should be included in the review teams for the BTRs of the participating Parties. This would only be necessary, however, if the expert pool would be stable and expert’s availability reliable.

The Article 6 TER should be small, to ensure efficiency and lower transaction costs. Ideally, it would consist of two experts, one generalist and one sector specialist with expertise in the sector of the specific cooperative approach.

The review teams should mutually consider previous review reports and pay particular attention to whether and if so, to what extent, Parties have implemented recommendations from both previous Article 6 and Article 13 review reports.

Annually, there should be a joint meeting of Article 6 and Article 13 lead reviewers to discuss the development or revision of the guidance document and to consider lessons learned. This could, for instance, take place in the context of the annual meeting of the Consultative Group of Experts (CGE).

#### 4.4.3. Review of information submitted in the context of the initial report

The initial report is separate from the BTR (even if submitted at the same time, where practical) and therefore can be assessed (first) by the Article 6 TER. A significant share of the information can be reviewed based solely on the Article 6.2 guidance:

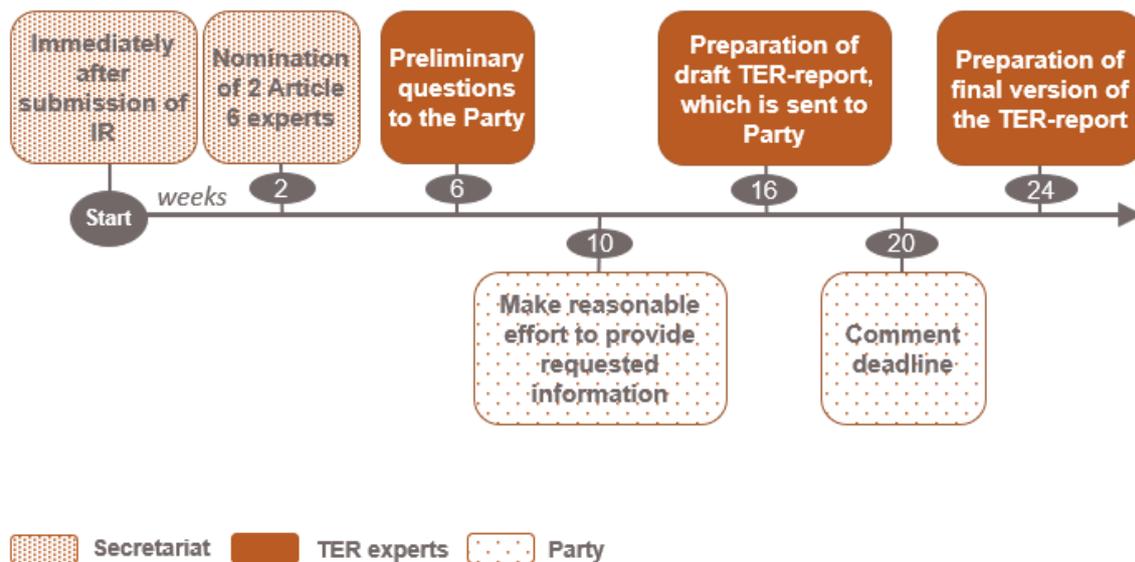
- The fulfilment of participation requirements, which includes the review of the national registry for ITMO tracking purposes (if the Party does not use the registry of the UNFCCC)
- ITMO metrics
- Methods chosen for corresponding adjustments
- The description of the cooperative approach
- The expected mitigation from the cooperative approach

Ideally, and as discussed above, the initial report would already include information on the environmental integrity of the cooperative approach (see chapter 0).

Overlaps may occur in the context of information on the quantification of the NDC in tCO<sub>2</sub>e or another metric, as this should be consistent with the overall information communicated on the Party's NDC.

As the initial report contains comprehensive, but quantitative and qualitative data, it should undergo a centralised review, that looks jointly at the reports from cooperating Parties. The initial reports should be the main focus of the Article 6 review process in terms of workload for the review team, ideally undertaken by two experts.

**Figure 6: Suggested process for the review of a stand-alone initial report (IR)**



**Source: authors**

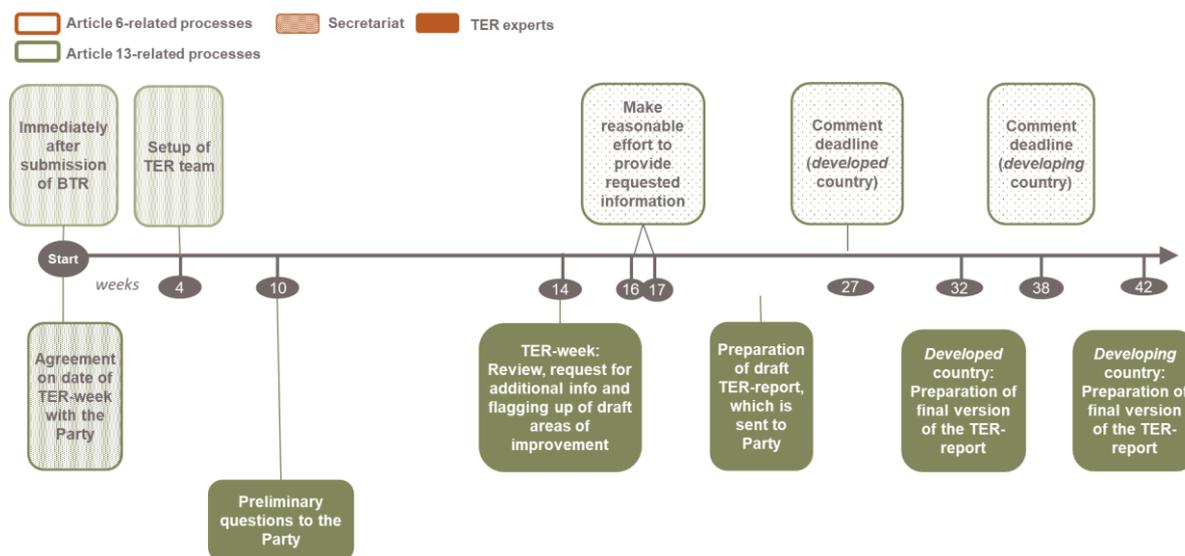
If the initial report is submitted as a stand-alone report (see Figure 6), the outcome shall be forwarded to the Secretariat to ensure it is considered in the next relevant countries' Article 13 TER. If the stand-alone report relates to information submitted in previous BTRs, the Article 6 TER must review the consistency/comparability of the information.

If this information is submitted first in a stand-alone initial report, comparability/consistency with information submitted in a later BTR should be assessed by the Article 13 TER.

In case the initial report is submitted in conjunction with the BTR (also see Figure 7), more intense coordination between both processes is necessary. In this case, the Article 6 review team must prepare a draft report of its centralised review before the Article 13 TER review week.

One of the two experts that was involved in the review of the initial report should be brought into the review of the subsequent BTRs to harness synergies from deep knowledge of the underlying situation.

**Figure 7: Suggested process for review of initial report if submitted with BTR**

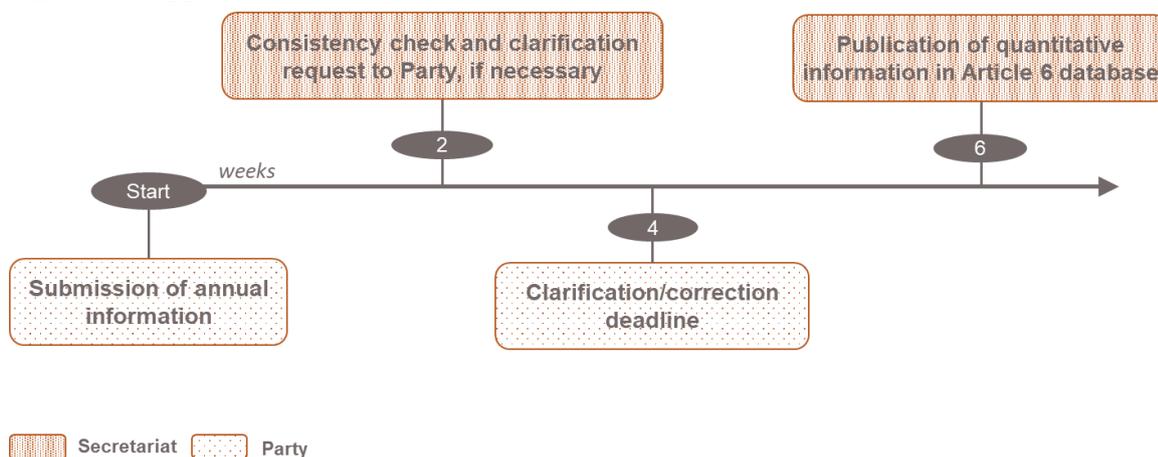


Source: authors

#### 4.4.4. Review of annual information

As the annual information relates to quantitative information only, this could undergo a simplified review by the Secretariat, mostly relating to the consistency of information across coordinating Parties as depicted in Figure 8.

**Figure 8: Suggested process for simplified review of annual information**



Source: authors

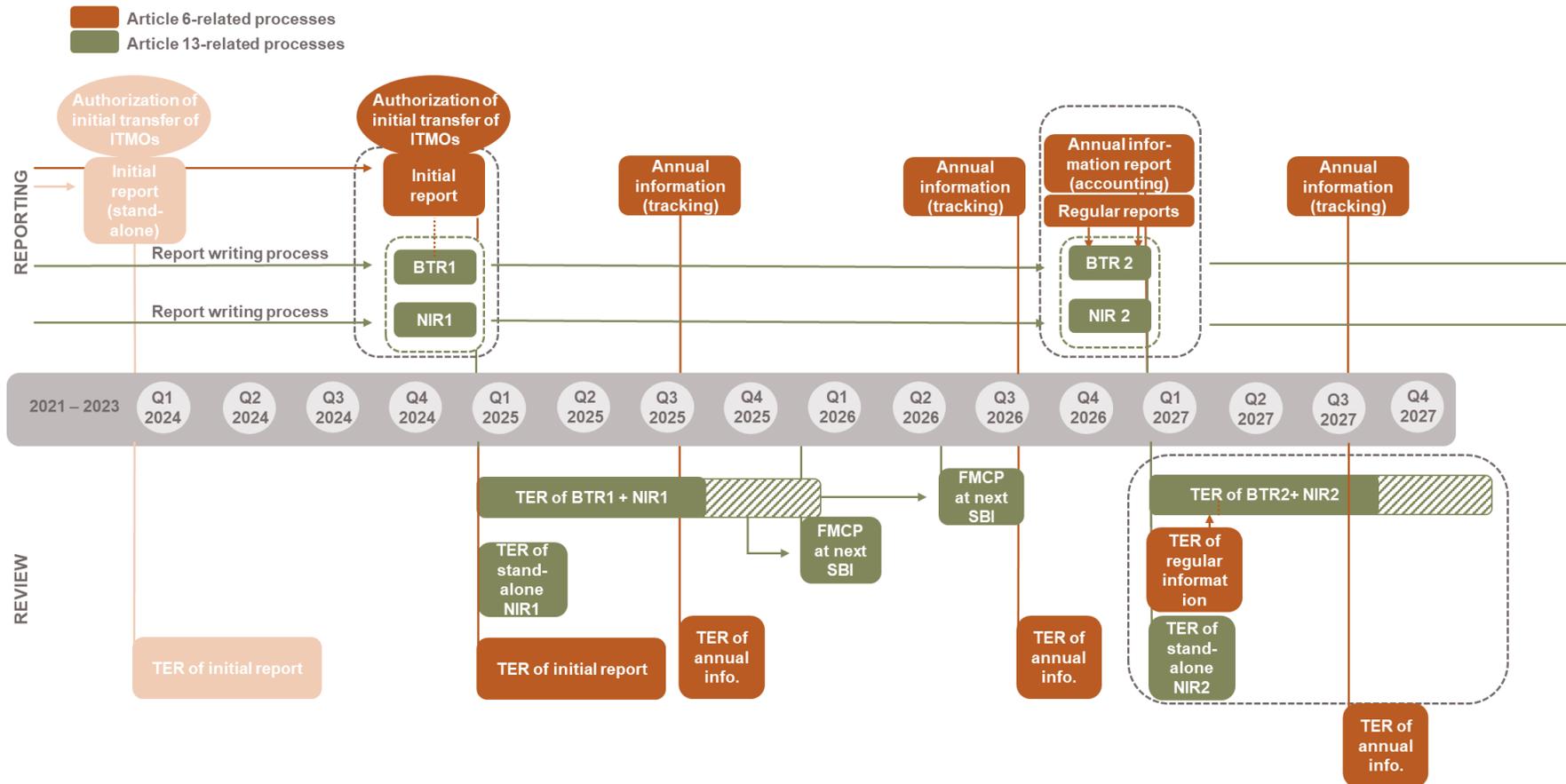
#### 4.4.5. Review of regular information

The regular information included in the BTR should be reviewed by Article 6 lead reviewers in the context of the Article 13 TER week, in order to ensure that the full review process can be finalised in the timelines presented in chapter 0.

Ideally the same lead experts that have reviewed the initial report should also analyse regular information submitted for the same cooperative approach.

The main issue with the review of regular information is to check for cross-Party consistency in reporting on the same cooperative approach. The review experts will have to deal with the implication of “trading Parties undergoing reviews at different points of time” (Vaidyula and Rocha 2018, p.39). Assessments of one participating Party must be considered in the assessment of other participating Parties when they submit their BTR. The infrastructure arrangements should allow experts to easily access and keep track of all relevant reports submitted by participating Parties in one cooperative approach (see chapter 0).

**Figure 9: Timeline of Article 6 and Article 13 reporting and review processes**



Source: authors

## 5. Infrastructure

### 5.1. Defining mapping infrastructure arrangements

There are different information access points to be interlinked in the context of transparency on international market mechanisms, namely:

1. the NDC registry;
2. the UNFCCC repository of BTRs and NIRs;
3. the CARP, including the UNFCCC international registry and the Article 6 Database, described in the Article 6.2 draft negotiation texts; and
4. the registry of the Article 6.4 mechanism described in the Article 6.4 negotiation texts.

The information stored and the functions of the different infrastructure arrangements are described in Table 12 below.

**Table 12: Information access points**

Infrastructure	Information stored	Functions
NDC registry <sup>11</sup>	Subsequent NDCs and communication related to NDCs submitted by Parties.	Interim registry can be searched by keyword and by Party (both filter functions are disputed in negotiations). Final modalities and use of the registry are currently negotiated under the SBI.
UNFCCC repository of BTRs and TER	BTRs and NIRs submitted by Parties TER reports undertaken by the Article 13 TER.	Document repository, not further defined Currently, NC, BRs and NIRs are available on an UNFCCC website, and are sorted by report and Party <sup>12</sup> .
CARP	The following Article 6 information will be recorded: <ul style="list-style-type: none"> <li>▪ A description of each cooperative approach, the expected mitigation and the participating Parties involved.</li> <li>▪ Public information on ITMOs.</li> <li>▪ All non-confidential information submitted by Parties in the context of the reporting obligations.</li> </ul>	Online portal, not further defined There will be links to publicly available information submitted by participating Parties (i.e. the corresponding BTRs).
Article 6 database (in the CARP)	Information on cooperative approaches. Corresponding adjustments, annual emission balances and information on ITMOs first transferred, transferred, acquired, held, cancelled and or used by participating Parties.	Prefilling agreed electronic format tables. Helps identifying inconsistencies in corresponding adjustments and ITMOs transferred and acquired. ITMOs to be marked with unique identifiers that at least identify the originating participating Party, the vintage of the underlying mitigation, activity type and Party. Amendments to information may be submitted to the Secretariat and corrected in the database.

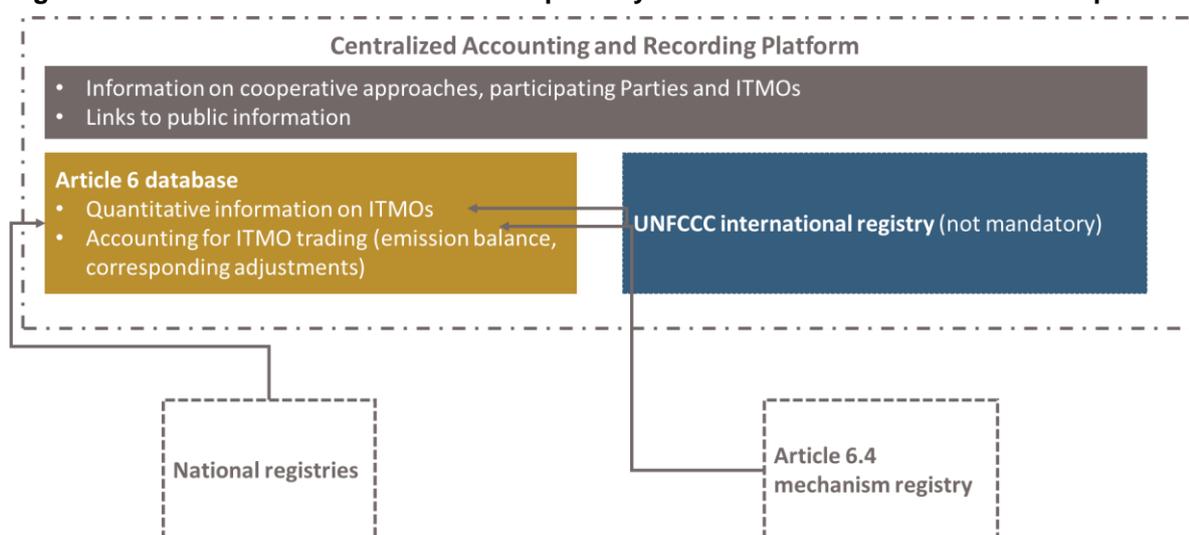
<sup>11</sup> The website is available at: <https://www4.unfccc.int/sites/ndcstaging/Pages/Home.aspx>

<sup>12</sup> See for instance submission of the fourth biennial reports at <https://unfccc.int/BRs>

Infrastructure	Information stored	Functions
<b>International registry (in the CARP)</b>	Movements of ITMOs, in particular: <ul style="list-style-type: none"> <li>▪ Authorisation</li> <li>▪ First Transfer</li> <li>▪ Transfer</li> <li>▪ Acquisition</li> <li>▪ Cancellation</li> <li>▪ Use towards NDCs</li> <li>▪ Authorisation for use towards other international mitigation purposes</li> <li>▪ Voluntary cancellation</li> </ul>	Recording of ITMOs and track the following characteristics through unique identifiers: The registry must have the necessary accounts to that purpose. The registry can be used by Parties that do not have their own or access to a registry.
<b>Article 6.4 registry</b>	Article 6.4ERs pending, retired and cancelled, forwarded for OMGE and SOP purposes.	Contains accounts for the different A6.4ER statuses. Also, a holding account for each Party and each public and private entity authorized by a Party that requests an account.
<b>National registries</b>	Movements of ITMOs, in particular <ul style="list-style-type: none"> <li>▪ Authorization</li> <li>▪ First Transfer</li> <li>▪ Transfer</li> <li>▪ Acquisition</li> <li>▪ Cancellation</li> <li>▪ Use towards NDCs</li> <li>▪ Authorisation for use towards other international mitigation purposes</li> <li>▪ Voluntary cancellation</li> </ul>	Recording of ITMOs and track the following characteristics through unique identifiers. The registry must have the necessary accounts to that purpose.

Source: authors

**Figure 10: Infrastructure relevant for transparency on international market-based cooperation**



Source: authors

## 5.2. Designing coherent infrastructure arrangements

Infrastructure can alleviate both reporting and review processes, thereby reducing the burden placed on Parties and the Secretariat. To do so, infrastructure should be designed and programmed to be able to:

- link information available in different reports and places;
- sort information by different parameters;
- automatically extract information and fill-in agreed electronic reporting formats; and
- automatically detect quantitative inconsistencies.

The Secretariat may want to apply distributed ledger (“blockchain”) technologies to enable consistent reporting and detection of reporting errors.

Table 13 summarises how this can be operationalised in the context of the Article 6 infrastructure:

**Table 13: Operationalising Article 6 infrastructure**

Functions it should perform		Links to other infrastructure arrangements
CARP	<p>Should sort information by:</p> <ul style="list-style-type: none"> <li>by cooperative approach, showing the description and implicated Parties</li> <li>by Party, showing all cooperative approaches participated in</li> </ul>	Links to Article 6 database
Article 6 database	<p>Should have <b>information on cooperative approaches</b></p> <ul style="list-style-type: none"> <li>Initial reports and updates to the information as submitted in BTRs, including related review reports.</li> <li>Regular information submitted in BTRs on cooperative approach by participating Parties, including related review reports.</li> <li>Should include information on ITMOs authorised in the context of the cooperative approach (including their serial numbers).</li> </ul> <p>Should have <b>information on ITMOs</b></p> <ul style="list-style-type: none"> <li>Should allow clear view of transactions, search by ITMO serial number.</li> <li>Clear view of transactions if searched by cooperative approach and by Parties.</li> <li>Clear view of transactions if searched by purpose and should include ITMOs authorised for use for other purposes.</li> </ul> <p>Should have information on <b>accounting by Party</b></p> <ul style="list-style-type: none"> <li>Annual emission balance, ITMOs to account for in this year and annual adjusted emission balance after corresponding adjustments,</li> </ul>	<p>Link to CARP</p> <p>Links to Parties NIRs and BTRs</p> <p>Links to Article 6 TER and Article 13 BTR reports (where relevant)</p> <p>Link to Article 6.4 information on activities</p>
UNFCCC international registry	Should allow for Parties to generate automatic annual reports to be submitted as annual report	Article 6 database
Article 6.4 registry	Should allow for Parties to generate automatic initial, annual and regular reports, as soon as there is an authorisation of transfer	<p>UNFCCC international registry (optional for Parties, not mandatory), there should be the possibility to directly mark an A6.4ER authorised for transfer in the according Party account.</p> <p>Article 6 database: there should be an automatic link, as soon as an A6.4ER is an ITMO (upon first transfer), it should be traceable in the database, with links to the underlying information on the Article 6.4 activity.</p>

Source: authors

## 6. Conclusions on designing a coherent reporting and review process

Transparency-related processes in international market-based cooperation play a crucial role to ensure environmental integrity, especially for Article 6.2 where there is no international oversight. Only if the transparency framework and related processes are designed in a robust manner, ambition raising can be achieved, strengthening the Paris Agreement architecture. Designing a strong reporting and review process requires setting the right guardrails (sticks) and the right incentives (carrots), while keeping in mind the importance of not creating a significant burden for Parties.

The negotiations on the Article 6.2 guidance have advanced considerably over the last negotiation sessions. However, our analysis reveals several open ends that prevent coherent reporting and review processes. This also holds true for the interlinkages between the provisions of the ETF and the Article 6.2 guidance.

A number of important issues remain unclear and need further clarification. This starts with the definition of a cooperative approach as such an approach could involve (at least two) countries or also non-Party buyers (e.g. an airline under CORSIA or a voluntary market actor). It needs to be defined what exactly triggers reporting and whether reporting on (initial) transfers of mitigation outcomes to CORSIA or the voluntary market would also be mandatory. Exempting such transfers would pose a risk to environmental integrity. Furthermore, it must be clarified whether a cooperative approach can entail different forms of market-based cooperation (exchange of credits and linking of ETS, for instance) or whether every approach is linked to one specific form of cooperation (the linking of ETS, the transaction of carbon credits).

In addition, several reporting requirements are missing in the text regarding the additionality of the activities generating ITMOs and their verification. The development of reporting templates provides an opportunity to include a requirement for Parties to report information on these two aspects. Regarding the need for improved interlinkages, the finalisation of the Article 6.2 guidance by carbon market negotiators should be closely coordinated with transparency negotiators to ensure synchronised processes and a common understanding of issue-specific wording. At the operational level, this implies that reporting should be coupled to ease reporting burden whenever the timing allows for this. At the same time, reporting should be de-coupled if transparency on international market-based cooperation could be undermined. This could be the case if invoked flexibility on ETF reporting leads to delays or information gaps. "Linking both processes, where possible, but de-coupling both processes, where necessary" thus constitutes one of our main recommendations. We suggest more information should be provided in the initial report while the regular report should focus on updates of this information. This implies that the follow-up regulatory information can be streamlined, thus considerably reducing reporting burdens of Parties.

Trade-offs need to be navigated wisely in the negotiations. This relates, for example, to the fact that the most resource-intensive review would also be the most effective one in terms of thoroughness and capacity building (Dagnet et al. 2017, p. 3). Therefore, more funding for review processes is needed. Developed countries support the participation of their own experts in the review process. In the future, the number of expert participants from developing countries and economies in transition will increase, thus requiring greater funding support from the Secretariat. The Secretariat itself will also need more

resources to organise and coordinate review processes (Dagnet et al. 2017, p. 14). In this respect, Article 6 piloting is essential to test the level of information needed, to identify synergies with available information and to build capacities of interested partner countries. Synergies between building a country's broader transparency capacity and required Article 6-related reporting capacity should be first identified and subsequently drawn upon.

Clear guidance will need to be developed for review teams and updated on an annual basis to ensure consistency of operationalisation of principles between Article 13 and Article 6.2, but also with the rules, modalities and procedures of the Article 6.4 mechanism. Also, mutual consideration of previous reports should be ensured as it can save time and resources. A robust infrastructure can alleviate review processes as it provides insights into the consistency of quantified information on transfer and helps to track undertaken corresponding adjustments.

Participation requirements in Article 6.2 and 6.4 and the compliance process under Article 15 of the Paris Agreement serve as 'sticks', capacity building for transparency as 'carrots'. In the case of developing countries, capacity building is a precondition for the implementation of the transparency framework.

The guidelines of the ETF will be revised in 2028 after the submission of two BTRs. Against the background that the review of guidelines offers a great opportunity to reflect on lessons learned and to strengthen processes over time, piloting and early experience should be fed back into the rule-setting process.

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## Annex A: Flexibility provisions in the ETF MPGs

**Table 14: Overview of flexibility provisions in the ETF MPGs**

Area of flexibility	Reference in MPGs	Flexibility provisions for those developing country Parties that need flexibility in the light of their capacities
GHG inventory		
Key category analysis	para. 25	Flexibility to identify key categories using <b>a threshold no lower than 85 per cent</b> in place of the 95 per cent threshold defined in the IPCC guidelines (i.e. key categories are those that, when summed together in descending order of magnitude, <b>add up to 95 percent of the national sum</b> of the absolute values of emissions and removals).
Uncertainty assessment	para. 29	Flexibility to provide, at a minimum, <b>a qualitative discussion of uncertainty for key categories</b> , using the IPCC guidelines, both for the latest inventory year and the trend, instead of <b>quantitatively estimating and qualitatively discussing</b> the uncertainty of the emissions and removal estimates for <b>all categories</b> , including inventory totals, for at least the starting year and the latest reporting year of the inventory time series and also estimating the trend uncertainty for these same categories/ inventory totals for the entire time series.
Completeness	para. 32	Flexibility to consider emissions insignificant if the likely level of emissions is below <b>0.1 per cent of the national total GHG emissions</b> , excluding LULUCF, or <b>1,000 kt CO<sub>2</sub> eq</b> , whichever is lower. For the other Parties that do use flexibility provisions, a category can only be considered insignificant if the likely level of emissions is <b>below 0.05 per cent</b> of the national total GHG emissions, excluding LULUCF, or <b>500 kt CO<sub>2</sub> eq</b> , whichever is lower. If flexibility is chosen, the total national aggregate of estimated emissions for all gases from categories considered insignificant, shall remain below 0.2 per cent of the national total GHG emissions, excluding LULUCF, as opposed to 0.1 per cent for other Parties.
QA/QC	para. 34	Developing countries that need flexibility in light of their capacities <b>are encouraged to elaborate an inventory QA/QC plan</b> in accordance with the IPCC guidelines, including information on the inventory agency responsible for implementing QA/QC; <b>instead of a mandatory requirement</b> to elaborate the QA/QC plan for other Parties.
	para. 35	Developing countries that need flexibility in light of their capacities are encouraged to implement and <b>provide information on general inventory QC procedures</b> in accordance with their

Area of flexibility	Reference in MPGs	Flexibility provisions for those developing country Parties that need flexibility in the light of their capacities
		QA/QC plan and the IPCC guidelines; <b>instead of mandatory requirement</b> to implement and provide this information.
Gases	para. 48	Flexibility to report at least <b>3 gases (CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O)</b> as well as any of the additional four gases (HFCs, PFCs, SF <sub>6</sub> and NF <sub>3</sub> ) that are included in the Party's NDC under Article 4 of the Paris Agreement, are covered by an activity under Article 6 of the Paris Agreement, or have been previously reported; <b>instead of mandatory requirement to report on the basket of 7 gases.</b>
Time series	para. 57	Flexibility to report data covering, at a minimum, the reference year/period for its NDC and, in addition, a consistent annual <b>time series from at least 2020 onward; instead of mandatory requirement to report a consistent annual time series starting from 1990.</b>
	para. 58	Flexibility that the latest reporting year shall be no more than <b>three years</b> prior to the submission of the national inventory report, compared to no more than two years for Parties to which flexibility is not applicable.
Mitigation policies and measures, actions and plans		
Estimates of expected and achieved GHG emissions reductions	para. 85	Developing countries that need flexibility in light of their capacities <b>are encouraged</b> to report estimates of expected and achieved GHG emission reductions for their actions, policies and measures in tabular format; <b>instead of a mandatory requirement</b> to report this information
Projections		
Projections of GHG emissions and removals	para. 92	Developing countries that need flexibility in light of their capacities are <b>encouraged to report projections</b> pursuant to paras. 93-101 of the MPGs; <b>instead of a mandatory requirement</b> to report this information.
	para. 95	<b>Flexibility to extend projections at least to the end point of their NDCs;</b> instead of extending for at least 15 years beyond the next year ending in zero or five applicable for other Parties.
	para. 102	Flexibility to report less detail information (methodology and coverage).
Technical expert review		
Format of review	para. 159	<b>Flexibility to undergo a centralized instead of an in-country review but are encouraged to undergo an in-country re-</b>

Area of flexibility	Reference in MPGs	Flexibility provisions for those developing country Parties that need flexibility in the light of their capacities
		<p><b>view.</b> Parties that are not subject to flexibility in light of their capacities shall undergo an ICR for a) the first BTR, b) at least two BTRs in a 10-year period, of which one is the BTR that contains information on the Party's achievement of the NDC, c) if there was a recommendation to have an ICR in the previous BTR review report and d) Parties that request it.</p>
Responding to TERT questions	para. 162 (c)	Flexibility to provide information within <b>three weeks</b> of the date the questions were received, compared to <b>two weeks</b> applicable for other Parties.
Responding to TERT's review report	para. 162(f)	Flexibility to take <b>three months</b> to provide comments to the draft report, compared to <b>one month</b> applicable for other Parties.
Facilitative multilateral consideration of progress		
Responding to written questions	para. 193(c)	Flexibility to respond in writing to the Parties' questions no <b>later than two weeks</b> prior to the working group session through an online platform, compared to no later <b>than one month</b> applicable for other Parties.

Source: UNFCCC 2020a, b

## Annex B. Reporting obligations under the Initial and Regular reports

Reporting requirement	Type of information required	Assessment of clarity of the requirement	Links with other reporting obligations
<p><b>18(c)</b> Communicate the ITMO metrics and the method for corresponding adjustments for multi-year/single year NDCs that will be applied consistently throughout the period of NDC implementation</p>	<ul style="list-style-type: none"> <li>Qualitative</li> </ul>	<ul style="list-style-type: none"> <li>Unclear whether “applied consistently” refers to:               <ul style="list-style-type: none"> <li>using the same method for all transactions under the same cooperative approach;</li> <li>using the same method for all cooperative approaches the Party engages with; and/or</li> <li>using the same method applied by the other Party involved in the cooperative approach.</li> </ul> </li> </ul>	
<p><b>18(d)</b> Quantify the Party’s mitigation information in its NDC in tCO<sub>2</sub>eq, including the sectors, sources, GHGs and time periods covered by the NDC, the reference level of emissions and removals for the relevant time period, and the target levels for its NDC; or where this is not possible, provide the methodology for quantification of the NDC in tCO<sub>2</sub>eq</p>	<ul style="list-style-type: none"> <li>Quantitative</li> <li>Qualitative (if quantification of NDC in tCO<sub>2</sub>eq is not possible)</li> </ul>	<ul style="list-style-type: none"> <li>Not enough detail on what needs to be included and explained. For instance, there is no particular requirement for the Party to differentiate the BAU scenario from a crediting baseline that is set in line with the NDC target or to estimate the impact of the cooperative approach in relation to the baseline, as well as the NDC target.</li> <li>Unclear whether the qualifier “where this is not possible” refers to:               <ul style="list-style-type: none"> <li>Emission intensity-based NDC targets (e.g. China)</li> <li>Flexibility provided to developing countries and, if so, if developing countries may decide not to quantify their NDCs and still be able to participate in Article 6, and/or</li> <li>NDCs in non-GHG metrics only.</li> </ul> </li> <li>Unclear to which time period the expression ‘relevant time period’ refers to.</li> </ul>	<ul style="list-style-type: none"> <li>All Parties need to provide the following information in their second and subsequent NDCs (Decision 4/CMA.1, para 7 and Annex I):               <ul style="list-style-type: none"> <li>quantifiable information on the reference point</li> <li>time frames and/or periods for implementation</li> <li>scope and coverage</li> <li>planning processes</li> <li>assumptions and methodological approaches</li> <li>how the Party considers that its NDC is fair and ambitious, in the light of its national circumstances</li> <li>how the NDC contributes towards achieving the objective of the Convention</li> </ul> </li> </ul>
<p><b>18(e)</b> Quantify the participating Party’s NDC, or that portion of its NDC, in a non-GHG metric determined by each participating Party</p>	<ul style="list-style-type: none"> <li>Quantitative</li> </ul>	<ul style="list-style-type: none"> <li>Not enough detail on what needs to be included and explained. No specific requirement that the NDC should be quantified in the same metric as the ITMOs that the host country intends to transfer.</li> <li>Unclear what ‘that portion’ of the NDC means. Only the parts that are relevant to the non-GHG cooperative approach?</li> </ul>	
<p><b>18(f)</b> Provide, for each cooperative approach, a description of the approach, the expected mitigation and the participating Parties involved</p>	<ul style="list-style-type: none"> <li>Narrative</li> <li>Qualitative or quantitative</li> </ul>	<ul style="list-style-type: none"> <li>Not enough detail on what needs to be included and explained. For instance, no requirement to specify:               <ul style="list-style-type: none"> <li>Expected mitigation annually and in relation to the reference level or baseline</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Similar (but more detailed) requirement in paragraph 22. Unclear whether the description in 18(f) should include (as applicable) the</li> </ul>

Reporting requirement		Type of information re-quired	Assessment of clarity of the requirement	Links with other reporting obligations
			<ul style="list-style-type: none"> <li>- The planned use for the mitigation outcome, including the volume of ITMOs the party intends to transfer or acquire,</li> <li>- Whether the cooperative approach is part of the unconditional or conditional effort of the host country,</li> <li>- Links between the use of cooperative approaches and the country's long-term low-carbon development strategies</li> <li>• No specific requirement related to how the cooperative approach ensures environmental integrity, accounts for ITMOs in line with the TACCC principles, and contributes to increased ambition. This type of information is only requested under Regular Information.</li> </ul>	elements of paragraph 22 of the Article 6 draft text.
	<b>19.</b> Each participating Party shall submit the information in paragraph 18(f) above, for each further cooperative approach for inclusion in the centralized accounting and reporting platform in chapter VI.C below (Centralized accounting and reporting platform).		<ul style="list-style-type: none"> <li>• Same information to be submitted for each new cooperative approach. Unclear whether this information is to be submitted through Article 6 Annual Information or another form/vehicle.</li> <li>• Timing of submission (upon first authorization?) should be clarified.</li> </ul>	
Participation Responsibilities (18(a))	<b>4(a)</b> Demonstration that the Party is a Party to the Paris Agreement	<ul style="list-style-type: none"> <li>• Qualitative</li> </ul>		
	<b>4(b)</b> Demonstration that the Party has prepared, communicated and is maintaining an NDC in accordance with Article 4, paragraph 2 of the Paris Agreement and decision 4/CMA.1	<ul style="list-style-type: none"> <li>• Qualitative</li> </ul>	<ul style="list-style-type: none"> <li>• Not enough detail on what needs to be included and explained. For instance, how is the Party expected to demonstrate that its NDC is in accordance with Art. 4.2 and decision 4/CMA.1. A cross-reference to relevant sections in the BTR should be allowed.</li> <li>• Unclear what it means to 'maintain' an NDC, and how to report on that.</li> </ul>	
	<b>4(c)</b> Demonstration that the Party has arrangements in place for authorizing the use of ITMOs towards NDCs pursuant to Article 6, paragraph 3 of the Paris Agreement	<ul style="list-style-type: none"> <li>• Qualitative</li> </ul>	<ul style="list-style-type: none"> <li>• Not enough detail on what needs to be included and explained. For instance, at which level of detail and how such description is to be provided and whether a party needs</li> <li>• Instead of "demonstration", "description of arrangements" would oblige Parties to submit more information on domestic processes for eligibility and approval of mitigation activities for ITMO generation.</li> </ul>	
	<b>4(d)</b> Demonstration that the Party has arrangements in place, consistent with this guidance and	<ul style="list-style-type: none"> <li>• Qualitative</li> </ul>	<ul style="list-style-type: none"> <li>• Not enough detail on what needs to be included and explained. For instance, there is no requirement to explain</li> </ul>	<ul style="list-style-type: none"> <li>• Similar requirement exist for information in the BTR (Decision</li> </ul>

Reporting requirement		Type of information required	Assessment of clarity of the requirement	Links with other reporting obligations
	relevant decisions of the CMA, for tracking ITMOs		<p>whether the party has in place institutional arrangements for tracking mitigation outcomes from climate finance vs those achieve via carbon finance.</p> <ul style="list-style-type: none"> <li>Information needs still to be decided and clarified in a future guidance set by the CMA. These include infrastructure needs, data management and exchange standards, and registry functionalities where applicable.</li> </ul>	<p>18/CMA.1, annex, paragraph 61): “Each Party shall provide information on the institutional arrangements in place to track progress made in implementing and achieving its NDC under Article 4, including those used for tracking internationally transferred mitigation outcomes, if applicable, along with any changes in institutional arrangements since its most recent biennial transparency report”.</p> <ul style="list-style-type: none"> <li>Similar information is on how a Party ensures that ITMOs “will not be further transferred, cancelled or otherwise used” is required to be reported under paragraph 21(e) of the Article 6 draft text.</li> </ul>
	<b>4(e)</b> Demonstration that the Party has provided the most recent national inventory report required in accordance with decision 18/CMA.1	<ul style="list-style-type: none"> <li>Qualitative</li> </ul>	<ul style="list-style-type: none"> <li>Unclear whether flexibility is allowed to developing countries that need it. Relevant flexibility provisions refer to, for instance, the need for a quantitative assessment of uncertainty in emissions and removals.</li> </ul>	
Transparency Framework	<b>64(a)</b> Information on target(s) and description, including target type(s) (e.g. economy-wide absolute emission reduction, emission intensity reduction, emission reduction below a projected baseline, mitigation co-benefits of adaptation actions or economic diversification plans, policies and measures, and other)	<ul style="list-style-type: none"> <li>Qualitative</li> <li>Quantitative</li> </ul>	<ul style="list-style-type: none"> <li>Not enough detail on what needs to be included and explained. For instance, it is unclear whether a Party may simply replicate the information contained in its NDC or if further information and articulation is needed.</li> </ul>	<ul style="list-style-type: none"> <li>No reporting needed under Article 6 if the Party has already submitted its BTR (where the information related to paragraph 64 of the annex to Decision 18/CMA.1 must be included)</li> </ul>
	<b>64(b)</b> Information on target year(s) or period(s), and whether they are single-year or multi-year target(s)	<ul style="list-style-type: none"> <li>Qualitative</li> <li>Quantitative</li> </ul>		
	<b>64(c)</b> Information on reference point(s), level(s), baseline(s), base year(s), or starting point(s), and their respective value(s)	<ul style="list-style-type: none"> <li>Qualitative</li> <li>Quantitative</li> </ul>	<ul style="list-style-type: none"> <li>Not enough detail on what needs to be included and explained. For instance, it is unclear whether Party needs to specify this information both at the level of the NDC as well as</li> </ul>	<ul style="list-style-type: none"> <li>Similar (quantitative) information is also requested for the initial report under paragraph 18(d) of the Article 6 draft text.</li> </ul>

Reporting requirement		Type of information re-quired	Assessment of clarity of the requirement	Links with other reporting obligations
			at the level of cooperative approaches (and/or the sector in which the cooperative approach takes place).	
	<b>64(d)</b> Information on time frame(s) and/or periods for implementation	<ul style="list-style-type: none"> <li>• Qualitative</li> <li>• Quantitative</li> </ul>		<ul style="list-style-type: none"> <li>• Similar (quantitative) information is also requested for the initial report under paragraph 18(d) of the Article 6 draft text.</li> </ul>
	<b>64(e)</b> Information on scope and coverage, including, as relevant, sectors, categories, activities, sources and sinks, pools and gases	<ul style="list-style-type: none"> <li>• Qualitative</li> </ul>		
	<b>64(f)</b> Information on intention to use cooperative approaches that involve the use of internationally transferred mitigation outcomes under Article 6 towards NDCs under Article 4 of the Paris Agreement	<ul style="list-style-type: none"> <li>• Qualitative</li> </ul>	<ul style="list-style-type: none"> <li>• Not enough detail on what needs to be included and explained. For instance, it is unclear what level of detail is required as part of the 'information' and there is no specific requirement for a Party to communicate or estimate the specific volume of ITMOs it is willing transfer/acquire, and the sectors in which a Party may make use of cooperative approaches. There is also no mentioning of provision of information on technologies and abatement costs to be targeted under cooperative approaches or on the implications of use of cooperative approaches to the country's long-term low-carbon development strategy.</li> </ul>	
	<b>64(g)</b> Any updates or clarifications of previously reported information (e.g. recalculation of previously reported inventory data, or greater detail on methodologies or use of cooperative approaches).	<ul style="list-style-type: none"> <li>• Qualitative</li> <li>• Quantitative</li> </ul>	<ul style="list-style-type: none"> <li>• Not enough detail on what needs to be included and explained. For instance, it is unclear: <ul style="list-style-type: none"> <li>- what event triggers such updates and clarification, e.g.: when is the right moment to provide 'greater detail'? Is it at the discretion of Parties?</li> <li>- if this also includes a requirement to report on updates or clarifications between successive NDCs.</li> </ul> </li> <li>• how this information should be presented. A template table where old and updated information are presented together would be useful to make the information transparent and accessible.</li> </ul>	

Reporting requirement	Type of information required	Assessment of clarity of the requirement	Links or overlap with other reporting obligations
<b>21.</b> Each participating Party shall include in its biennial transparency reports the following information in relation to its participation in cooperative approaches			
<b>21(a)</b> Information on how the Party is fulfilling the participation responsibilities in relation to its participation in cooperative approaches	<ul style="list-style-type: none"> <li>Qualitative</li> </ul>	<ul style="list-style-type: none"> <li>Unclear what the difference is between 21(a) and 18(a). One possibility is that 18(a) refers to whether a Party 'meets' the participation responsibilities, whereas 21(a) refers to whether a party 'continues to meet' the participation responsibilities.</li> </ul>	<ul style="list-style-type: none"> <li>The regular information asks Parties to provide information on the participation responsibilities twice: both in 21(a) and in 21(b) by requiring updates to the information provided in its initial report under 18(a).</li> </ul>
<b>21(b)</b> Updates to the information provided in its initial report, referred to in paragraphs 18 and 19 above, and any previous biennial transparency reports, in relation to its participation in cooperative approaches	<ul style="list-style-type: none"> <li>Qualitative</li> </ul>		
<b>21(c)</b> Information on its authorization(s) of the first transfer and use of ITMOs towards NDCs and other international mitigation purposes including any changes to earlier authorizations, pursuant to Article 6, paragraph 3 of the Paris Agreement	<ul style="list-style-type: none"> <li>Quantitative</li> <li>Qualitative</li> </ul>		
<b>21(d)</b> Information on how corresponding adjustments undertaken in the latest reporting period, pursuant to chapter III (Corresponding adjustments) are representative of progress towards implementation and achievement of its NDC and ensure that participation in cooperative approaches does not lead to a net increase in emissions within and between NDC implementation periods	<ul style="list-style-type: none"> <li>Narrative</li> </ul>	<ul style="list-style-type: none"> <li>Unclear how a Party would demonstrate how it ensures that its participation in cooperative approaches will not lead to a net GHG increase in relation to subsequent NDCs. Further articulation might be needed to assist parties in meeting this reporting requirement.</li> <li>If the methods for applying corresponding adjustments are limited to averaging and trajectory-based interpolation, the reporting requirement on 'representativeness' becomes less of a concern. If, however, other methods for applying corresponding adjustments are eventually allowed, this reporting requirement becomes crucial.</li> </ul>	

Reporting requirement	Type of information required	Assessment of clarity of the requirement	Links or overlap with other reporting obligations
<p><b>21(e)</b> Information on how it has ensured that ITMOs acquired and used towards achievement of its NDC and those authorized mitigation outcome(s) used for other international mitigation purposes, will not be further transferred, cancelled or otherwise used.</p>	<ul style="list-style-type: none"> <li>Narrative</li> </ul>	<ul style="list-style-type: none"> <li>Not enough detail on what needs to be included and explained. For instance, there is no requirement to explain whether the Party has in place institutional arrangements for tracking mitigation outcomes from climate finance vs those achieve via carbon finance.</li> <li>Information needs still to be decided and clarified in a future guidance set by the CMA. These include infrastructure needs, data management and exchange standards, and registry functionalities where applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Similar information on “arrangements for tracking ITMOs” is also required to be reported via the initial report under paragraph 18(a) of the Article 6 draft text</li> </ul>
<p><b>22.</b> Each participating Party shall also include, in its biennial transparency reports submitted in accordance with decision 18/CMA.1, the following information on how each cooperative approach in which it participates:</p>			
<p><b>22(a)</b> How each cooperative approach in which it participates contributes to the mitigation of greenhouse gas emissions and the implementation of its NDC</p>	<ul style="list-style-type: none"> <li>Narrative</li> </ul>	<ul style="list-style-type: none"> <li>Not enough detail on what needs to be included and explained. For instance, no particular requirement for distinguishing between unconditional and conditional efforts and targets and their relation to the cooperative approach. There is also no mentioning of provision of information on technologies and abatement costs to be targeted under cooperative approaches or on the links and implications between the use of cooperative approaches and the Party’s long-term low-carbon development strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Relevant information also requested under paragraph 75(f) of the Annex of Decision 18/CMA. 1: “Methodologies associated with any cooperative approaches that involve the use of internationally transferred mitigation outcomes towards its NDC under Article 4, consistent with CMA guidance on cooperative approaches under Article 6”.</li> </ul>
<p><b>22(b)</b> How each cooperative approach in which it participates ensures environmental integrity, including that there is no net increase in global emissions, through robust, transparent governance and the quality of mitigation outcomes, including through stringent reference levels, baselines set in a conservative way and below ‘business-as-usual’ emission projections (including by taking into account all existing policies and addressing potential leakage) and minimizing the risk of non-permanence of mitigation and when reversals of emissions removals occur, ensuring these are addressed in full</p>	<ul style="list-style-type: none"> <li>Narrative</li> </ul>	<ul style="list-style-type: none"> <li>Not enough detail on what needs to be included and explained. For instance, no particular requirement for explaining how additionality is ensured or to report on approaches to third-party verification of mitigation outcomes. There is also no mentioning of provision of information on technologies and abatement costs to be targeted under cooperative approaches, or on the implications of use of cooperative approaches to the country’s long-term low-carbon development strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Relevant information also requested under paragraph 75(f) of the Annex of Decision 18/CMA. 1: “Methodologies associated with any cooperative approaches that involve the use of internationally transferred mitigation outcomes towards its NDC under Article 4, consistent with CMA guidance on cooperative approaches under Article 6”.</li> </ul>

Reporting requirement	Type of information required	Assessment of clarity of the requirement	Links or overlap with other reporting obligations
<b>22(c)</b> How each cooperative approach in which it participates, where a mitigation outcome is measured and transferred in tCO <sub>2</sub> eq, provides for the measurement of mitigation outcomes in accordance with the methodologies and metrics assessed by the IPCC and adopted by the CMA	<ul style="list-style-type: none"> <li>Narrative</li> </ul>		
<b>22(d)</b> How each cooperative approach in which it participates, where a mitigation outcome is measured and transferred in a non-greenhouse gas metric determined by the participating Parties, the information required by relevant future decisions of the CMA	<ul style="list-style-type: none"> <li>Tbc</li> </ul>	<ul style="list-style-type: none"> <li>Information needs still to be decided and clarified in a future guidance set by the CMA. Could include, for instance, a requirement to report on conversion factor.</li> </ul>	
<b>22(e)</b> How each cooperative approach in which it participates, provides for, as applicable, the measurement of mitigation co-benefits resulting from adaptation actions and/or economic diversification plans	<ul style="list-style-type: none"> <li>Narrative</li> </ul>	<ul style="list-style-type: none"> <li>No requirement for stakeholder consultations</li> </ul>	
<b>22(f)</b> How each cooperative approach in which it participates applies any limits set out in future guidance from the CMA pursuant to chapter III.E (Limits to the transfer and use of ITMOs)	<ul style="list-style-type: none"> <li>Tbc</li> </ul>	<ul style="list-style-type: none"> <li>Information needs still to be decided and clarified in a future guidance set by the CMA</li> </ul>	
<b>22(g)</b> How each cooperative approach in which it participates is consistent with the sustainable development objectives of the host Party, noting national prerogatives	<ul style="list-style-type: none"> <li>Narrative</li> </ul>		<ul style="list-style-type: none"> <li>Similar information required under paragraph 77d (iii) of Decision 18/CMA.1</li> </ul>
<b>22(h)</b> How each cooperative approach in which it participates results in a contribution to adaption financing pursuant to chapter VII (Ambition in mitigation and adaptation actions), if applicable	<ul style="list-style-type: none"> <li>Narrative</li> </ul>		<ul style="list-style-type: none"> <li>Adaptation Fund to report in its annual reports to the CMA on funding related to participation in cooperative approaches</li> </ul>
<b>22(i)</b> How each cooperative approach in which it participates contributes to overall mitigation in global emissions pursuant to chapter VII (Ambition in mitigation and adaptation actions), if applicable	<ul style="list-style-type: none"> <li>Quantitative</li> <li>[Qualitative]</li> </ul>		

Reporting requirement	Type of information required	Assessment of clarity of the requirement	Links or overlap with other reporting obligations
<p><b>23.</b> Each participating Party shall include the following annual information report, consistent with chapter III.B above (Application of corresponding adjustments), in each biennial transparency report submitted pursuant to decision 18/CMA.1, and in the Article 6 database pursuant to chapter V1.B (Article 6 database) and shall include any updates to information submitted in previous years in the NDC implementation period:</p>			
<p><b>23(a)</b> Annual and cumulative emissions and removals from the sectors and greenhouse gases covered by its NDC</p>	<ul style="list-style-type: none"> <li>Quantitative</li> </ul>		<ul style="list-style-type: none"> <li>Information on 'annual emissions by sources and removals by sinks covered by the NDC' is also requested through the structured summary of Paragraph 77(d) of Decision 18/CMA.1</li> </ul>
<p><b>23(b)</b> Annual and cumulative quantity of ITMOs first transferred</p>	<ul style="list-style-type: none"> <li>Quantitative</li> </ul>		<ul style="list-style-type: none"> <li>Similar information required to be submitted through Paragraph 20 of Article 6 draft text. The annual information on 'ITMOs first transferred' can be pulled from the agreed electronic format submitted under Annual Information (Paragraph 20).</li> </ul>
<p><b>23(c)</b> Annual and cumulative quantity of mitigation outcomes authorized for use, for other international mitigation purposes</p>	<ul style="list-style-type: none"> <li>Quantitative</li> </ul>		<ul style="list-style-type: none"> <li>Similar information required to be submitted through Paragraph 20 of Article 6 draft text. The annual information on 'mitigation outcomes authorized for use, for other international mitigation purposes' can be pulled from the agreed electronic format submitted under Annual Information (Paragraph 20).</li> </ul>
<p><b>23(d)</b> Annual and cumulative quantity of ITMOs used towards its NDC</p>	<ul style="list-style-type: none"> <li>Quantitative</li> </ul>		<p>Similar information required to be submitted through Paragraph 20 of Article 6 draft text. The annual information on 'quantity of ITMOs used towards its NDC' can be pulled from the agreed electronic format submitted under Annual Information (Paragraph 20).</p>

Reporting requirement	Type of information required	Assessment of clarity of the requirement	Links or overlap with other reporting obligations
<p><b>23(e)</b> For the information in (b) to (d) above, the cooperative approach, sector, transferring Party, using Party and vintage of the ITMO;</p>	<ul style="list-style-type: none"> <li>Qualitative and qualitative</li> </ul>		<ul style="list-style-type: none"> <li>Similar information required to be submitted through Paragraph 20 of Article 6 draft text. The annual information on the specific cooperative approach, sector, parties involved and ITMO vintage can be pulled from the agreed electronic format submitted under Annual Information (Paragraph 20).</li> </ul>
<p><b>23(f)</b> For tCO<sub>2</sub> eq metrics, an annual emissions balance, as applicable, consistent with Chapter III. B (Application of corresponding adjustment)</p>	<ul style="list-style-type: none"> <li>Quantitative</li> </ul>		<ul style="list-style-type: none"> <li>Information on the 'emissions balance reflecting the level of covered by its NDC adjusted on the basis of corresponding adjustments' is also requested through the structured summary of Paragraph 77(d) of Decision 18/CMA.1</li> </ul>
<p><b>23(g)</b> For non-greenhouse gas metrics determined by participating Parties, annual adjustments, consistent with chapter III above (Corresponding adjustments) and further guidance adopted by the CMA</p>	<ul style="list-style-type: none"> <li>Quantitative</li> <li>Qualitative, depending on the metric applied</li> </ul>		
<p><b>23(h)</b> Each participating Party shall, in each biennial transparency report that contains information on the end year of the NDC implementation period, include in its assessment of whether it has achieved the target(s) of its NDC pursuant to decision 18/CMA.1 paragraph 70, the application of the necessary corresponding adjustments consistent with chapter III (Corresponding adjustments)</p>	<ul style="list-style-type: none"> <li>Quantitative</li> <li>Qualitative depending on the metric applied</li> </ul>		



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