

**Chair's reflection note**  
**ERCST Informal Dialogue on Article 6**  
**March 25, 2021**

*Provisions for voluntary markets in the draft  
Article 6 text and the role of the host Party*

A. Marcu

T. Mertens

This note is meant as an aide-memoire and reflects issues and a logic that has captured the attention of the Chair of the meeting that took place on February 25, 2021. It is in no way meant as a summary, or an endorsement by the author, or the participants in the meeting, of any of the issues or views captured in this note.

# ERCST

## European Roundtable on Climate Change and Sustainable Transition

### Provisions for voluntary markets in the draft Article 6 text

The discussion focused on provisions in the draft text that could relate to voluntary markets and what are potential implications for voluntary action.

- Article 6 is mostly a country-to-country arrangement with three possible entry points for the private sector such as when Parties delegate implementation actions to private players (e.g., JCM) or when using the Article 6.4 mechanism which will take time to set up. However, it is the paragraph on “other international mitigation purposes” that is key for the private sector to engage in the Article 6 framework.
  - Enables private actors to directly seek authorization and corresponding adjustments from host Parties, even outside the framework of a bilateral agreement
  - Makes it possible to create a secondary market for units with corresponding adjustments
- To understand the interplay between voluntary and compliance markets, it is noted that 2 different levels need to be considered.
  - The first level is the carbon asset and project development cycle under the Paris Agreement and second is the potential interaction between that cycle with the Article 6 framework. The overall process will likely be the same regardless of use/claim or voluntary/compliance.
  - However, if corresponding adjustments are required, the cycle will have to follow the Article 6 framework and guidance which requires authorization of the host country.
- Looking at the use cases, the voluntary market is currently in an asymmetric state.
  - On the one hand, the predominant use case is offsetting for which there is most demand in the market, but which is considered old-fashioned and has a negative status with younger generations.
  - On the other hand, voluntary climate finance uses are emerging that enjoy civil society support, but for which demand in the market is still low.
  - The current text allows for flexibility and could support these different voluntary use cases. However, it is important that corporate claims are transparent and sufficiently clarified.
- A concern was raised that the current language of the draft text is too broad and does not specifically state that “other mitigation purposes” refers to reporting under the Paris Agreement.
  - Having this broad language means that other compliance markets such as CORSIA can be included, however it is argued that the text would benefit from specifically stating that voluntary markets do not require corresponding adjustments since this is a tool for reporting at the national level, not at corporate level.
  - At the same time, if the use of units without corresponding adjustments shifts to reporting under the national level, there is a risk of double counting. As such, there

# ERCST

---

European Roundtable on  
Climate Change and  
Sustainable Transition

needs to be a safeguard that when the use changes, corresponding adjustments will be applied.

# ERCST

## European Roundtable on Climate Change and Sustainable Transition

### Role of the host country

The discussion was meant to identify provisions in the text that are controversial and create issues for host countries in order to better understand the perspective of the host country and possibly find solutions.

- A key issue that was raised relates to operationalisation and establishment of the Article 6 framework which will mostly be done at the national level.
  - o This can be challenging for host Parties because it will require an extensive analysis of existing national legislation, establishment of new governance systems and extensive capacity building.
  - o Many host Parties do not have the capacity to develop sustainable development criteria, conduct analysis necessary to calculate carbon budgets and set up national reporting systems for example.
  - o Important to recognize that host Parties need support to ensure early operationalisation.
- The text could benefit from the following clarification:
  - o Clarifications in terms of requirements for the registry, will it be at host country level or joint/common systems. Interconnections between bilateral and multilateral systems are important and it takes technical efforts and time in order to develop an interconnected system.
  - o Incentives/benefits for host Parties to allow the transfer of units that are used for voluntary purposes are not demonstrated in the text.
  - o The role of the host Party in the decision-making process regarding Article 6.4
  - o While the link with achieving sustainable development is clear in the current text, the link with supporting the host Party to fulfil its NDC can be more specified.
  - o The role of the host Party in the accreditation of the DoE is not specified in the text. A situation where not enough DoEs are available needs to be avoided so specifying the role of the host country in this regard is needed.
- While some issues should be looked at, experience has shown that the current text is flexible enough in order to avoid major difficulties for the host Party. The issue with the role of the host Party is more focused on how to enhance it in terms of Article 6.4 in order to balance the role of the host Party and the Supervisory Body.