

Subsidiary Body for Scientific and Technological Advice

Chair's summary, informal consultations/informal technical expert dialogue on Article 6 of the Paris Agreement

Reporting and accounting for GHGs and non-GHGs under Article 6.2

Background

In relation to Article 6 of the Paris Agreement¹, in the context of the June 2021 subsidiary bodies sessional period, the SBSTA Chair, Mr. Tosi Mpanu Mpanu organized an informal consultation/informal technical expert dialogue on Reporting and accounting for GHGs and non-GHGs under Article 6.2 on 11/12 June 2021. The discussion was facilitated by Kim Solberg of the Netherlands and Anshari Rahman of Singapore. This summary is produced by the SBSTA Chair under his own authority.

This summary aims to capture possible options for further consideration by Parties and Heads of Delegation. It is informal in nature, has no status, and does not provide negotiation text. It does not attempt to provide a record of all views expressed during the dialogue and in submissions, nor indicate the support each of the options appeared to have.

In relation to the topic of the dialogue, as at 13 June 2021, no submissions specifically on this issue had been received. However, it was covered in some submissions made under other discussion items.

The informal consultations/informal technical expert dialogue

Parties indicated various views on reporting and accounting for GHGs and non-GHGs under Article 6.2. Interventions made responded to guiding questions provided by the SBSTA Chair as follows:

Guiding Questions:

- **Will the reporting, review and accounting cycle for Article 6 be implementable or are further elements needed?**
- **What further work under Article 6 is needed for GHG and non-GHG ITMOs to be reported and accounted for?**

General points

The following general points were made:

- Good progress was made on the guidance for Article 6.2 in Madrid. For ITMOs in GHG, the accounting and reporting cycle is ready for implementation.
- Accounting and reporting is one part of the guidance for cooperative approaches. It is important to finalize other core rules.
- There is room to improve certain elements of the accounting and reporting cycle, and this work can be done before COP26.

¹ Documents relating to Article 6 negotiations since 2016 can be accessed here: <https://unfccc.int/process/the-paris-agreement/cooperative-implementation>

- More discussion is needed on the different single-year methods. Parties should only be allowed to transfer ITMOs if they are on track to meet their NDCs.
- Capacity building is needed to enable Parties to bear the participation responsibilities and to facilitate reporting.
- Cooperative approaches, if implemented, must fully respect human rights and indigenous peoples and these instruments can only be used by Parties that are on an emissions pathway that is consistent with 1.5 degrees.
- 6.2 and 6.4 should be aligned with respect to overall mitigation of global emissions, share of proceeds, human rights, indigenous peoples, sustainable development and safeguards.
- Accounting, reporting and review needs to be inclusive, accommodate all NDC types and metrics. 56 countries have non-GHG metrics. Article 6 should enable, rather than prevent cooperation.
- GHG mitigation is what is needed to advance towards the 1.5 degree goal.
- There is a need to limit the number of times an ITMO is transferred and when it could be used towards an NDC. Mitigation measures will evolve over time, and safeguards are needed to ensure the ITMO is representative of the outcomes when it was created.
- Article 6 needs to be compatible with Article 13.
- There should be a review mechanism for Article 6.2 to update the guidance.
- 6.4 is embedded within 6.2.

Possible options for further consideration

Interventions focused on a number of possible options in relation to reporting and accounting for GHGs and non-GHGs under Article 6.2, that are set out below. In each case, the option has been introduced by at least one Party/group, but this summary does not seek to indicate how much support there is among Parties for each option, as Parties are familiar with the views expressed in submissions and interventions. Argumentation provided in the interventions to support the various options are set out in italics and in abbreviated and consolidated form below the relevant option.

Participation

Options were identified:

- **Include certain participation provisions from the 6.4 mechanism third draft Presidency Text (mutatis mutandis)**

Argumentation: There should be balance between 6.2 and 6.4 and so contribution to mitigation and the NDC and contribution to sustainable development should be included in the 6.2 participation section.

- **Do not include participation provisions from the 6.4 mechanism third draft Presidency Text**

Argumentation: The 6.4 mechanism is a single crediting mechanism whereas this guidance is for multiple types of cooperative approaches, so it does not make sense to have the same participation provisions.

Corresponding adjustments

Application of corresponding adjustments for single-year/multi-year

Options were identified, which are not mutually exclusive:

- **Third draft Presidency Text contains the approaches that may be used**

Argumentation: Many Parties acknowledge these approaches (averaging, trajectories, budgets) are not perfect, but a considerable amount of compromise made by all Parties over the years and in Madrid enabled Parties to reach this text and these methods. It is possible that in certain cases, the approaches might not be fully representative but we do not have other solutions at this time and we will be able to refine these approaches over time or find better ones per paragraph 12 of the third draft Presidency Text.

Argumentation: It would be useful to have more guidance for these approaches, for example, specify a starting point for a trajectory.

Argumentation: In the absence of further guidance, Parties should use one of the specified approaches.

A sub-option was identified:

- **Third draft Presidency Text without averaging as averaging does not meet requirements of representativeness**
- **Third draft Presidency Text but transition towards one single method over time**

Argumentation: The choice between these methods could be time bound with all Parties moving towards one method after a certain period. The open provisions for new approaches in paragraph 12 of the third draft Presidency Text may not be appropriate as predictability will be undermined if methods can change over time.

Applications of corresponding adjustment - additions and subtractions for GHG

Options were identified, which are not mutually exclusive:

- **A maximum delay between generation of ITMOs and corresponding adjustment**

Argumentation: There needs to be a limit either to the number of times an ITMO can be transferred or a limit on the duration from the date of generation to when the corresponding adjustment occurs.

- **Provide for additional step that sets out how a Party must finalize the accounting for each NDC period**

Argumentation: Provide guidance to have finality in accounting, some point of closure.

- **Include more detail for policy based NDC in guidance**

Argumentation: Develop the provisions for conversion from a policy NDC so that they can be applied to the portion of the NDC from which ITMOs are authorized. Quantification can be done as follows: define a boundary for the portion of the mitigation component of the NDC for the policies and measures where ITMOs are generated, identify all the GHG inside the boundary, estimate all GHG inside the boundary using approved methodologies. Make a projection of the GHG that would occur without the 6.4 activity until the end of the crediting period, for a baseline scenario. Identify the mitigation scenario when applying the policies and measures by quantifying the emission reductions and removals from these policies and measures in the NDCs where ITMOs are generated. Any ITMOs generated between the baseline and mitigation scenarios is subject to corresponding adjustment while any ITMOs generated beyond the mitigation scenario would not be subject to corresponding adjustment as this would be

beyond the transferring Party's NDC. The methodologies to quantify the baseline and mitigation scenarios of the portion of NDC where ITMOs are authorized should be developed by the host Party and if it is a 6.4 activity it would be approved by the governing body.

- **Timing**

Sub-options were identified:

- **Specify to what is the adjustment being made**

Argumentation: The third draft Presidency Text does not address which balances should be adjusted.

- **Additions and subtractions in the year the emission reductions occur**

Argumentation: Determine year when emissions balances are to be adjusted. The year of impact of the ITMO is the year in which adjustment should occur. Specifying the adjustment year as being the year of generation of the underlying emission reduction would facilitate transparency and representativeness. If this were implemented, accounting would reflect the point in time when the mitigation activity has an impact on the atmosphere.

- **Choice of when additions and subtractions are done**

Argumentation: It is premature to prescribe when the adjustments must be made and the third draft Presidency Text adequately addresses triggers, methods and all the adjustments are reported and reviewed.

Application of the corresponding adjustment - additions and subtractions for non-GHG

Options were identified:

- **Include more detail for non-GHG metrics in guidance**

Sub-options were identified:

- **Conversions to GHG and more detail in guidance**

Argumentation: Transfers of ITMOs in non-GHG metrics must not lead to an increase in emissions in and between NDC periods. This can be ensured by reporting in GHG and making the adjustments to the GHG-indicator. This is what 77.d of decision 18/CMA.1 requires. It would be possible to have supplemental indicators and adjust those instead, but a GHG-based assessment of the impacts is required to ensure environmental integrity. This is because even if the indicators are matching, it is still possible there would be an increase in emissions as a result of the transfer. An example would be where a Party had zero or negative emissions and exported MWh to a Party with high emissions. This would lead to an overall increase of emissions in GHG terms. So, the GHG equivalent is needed to be clear that there is not a transfer that leads to an increase in overall emissions.

Argumentation: Further elaboration to implement TACCC and no increase in emissions per paragraph 8 of the third draft Presidency Text is required for non-GHG metrics.

Argumentation: Use scientific approaches for the conversion such as IPCC rules.

Argumentation: A buffer registry would help with the conversion between different metrics. It could be overseen by a scientific and technological committee to ensure conversion factors up to date.

Argumentation: The non-GHG would be expressed in MWh, TJ, acres, hectares of land etc. Homogenous transactions would not need any conversion and the transaction would occur immediately. The buffer registry would assist for conversion of ITMOs that are not homogeneous. The impact of the baseline conditions in the transferor Party and the acquirer Party would be addressed on a case specific basis of the cooperative approach and the baseline could be included in narrative format while submitting the regular information, which would be reviewed by reviewers. The information included under reporting could elaborate how the Party is ensuring that there is no increase in aggregate emissions between the two Parties with or without conversion, in a similar manner to GHG transactions.

- **Like for like only**

Argumentation: Non-GHG ITMOs need to be quantified into GHG and only like for like trades should be possible so an acquiring Party can only use the ITMOs if they have the same non-GHG metric in their NDC.

- **No specific rules on conversion**

- **Elaborate further guidance for non-GHG metrics to deal with methods of conversion between metrics for non-GHG after the adoption of the guidance**

Argumentation: CO2 equivalence is needed for reporting and accounting for emissions and removals so the following issues need addressing before non-GHG metrics can be used for cooperative approaches: Identification of the metrics that Parties envisage using for non-GHG ITMOs; Identification of the timing and method for the conversion from the non-GHG ITMOs into CO2e emission reductions so that corresponding adjustments can be made to the emissions balance in CO2e and the structured summary can be completed; Clarity on how different baseline conditions in the transferor Party and in the acquiring Party impact any calculation; How it would be ensured that there is no increase in aggregate emissions between the two Parties as a result of the conversion process.

Argumentation: Adopt guidance covering GHG this year and have a work programme for non-GHG metrics for next year.

Argumentation: Corresponding adjustments in non-GHG is not an alternative. There is no clarity on how non-GHG values would be converted, which is also a concern when Parties are trading in the same non-GHG metric as in their NDC. Non GHG could be under a work programme for conversion if Parties consider this necessary.

Other international mitigation purposes

Options were identified

- **Improve the definition of other international mitigation purposes**

Argumentation: Improve definition of 'international mitigation purposes' and 'other purposes'. The definition can be read to mean from outside NDCs. Transfers from outside the NDC for purposes relating to international aviation and perhaps international shipping should be clearly stated as such. It is not difficult to identify ownership of these emissions and to include them in the NDC when the NDC is economy wide. If international transport is not included in the NDC then ITMOs should not be transferred from these sources. Once the definition is improved, the reporting requirements and how double counting is avoided needs to be stipulated.

- **Do not narrow the definition of other international mitigation purposes**

Argumentation: There are obligations to avoid double counting and we should also make corresponding adjustments for other uses possible, so a broad definition per the third Presidency text is stronger than a narrow definition. The third draft Presidency Text is enough to cover CORSIA and possibly IMO market-based measures to prevent double counting.

Limits to the transfer and use of ITMOs

Options were identified:

- **The third draft Presidency Text limits**

Argumentation: The third draft Presidency Text represents a compromise by Parties.

- **Add further limits and safeguards**

Argumentation: The limits included in the third draft Presidency text are insufficient.

Sub-options were identified, which are not mutually exclusive:

- Limit on the amount of ITMOs that can be transferred.
- ITMOs use must be supplemental to domestic action.
- Avoid ITMOs from sectors with a high degree of uncertainty and address reversals and leakage.
- Limit on ITMOs transferred/used to a minimum amount of CO₂/GHG reduced domestically to ensure consistency with 1.5 C emissions trajectory.
- Limits on the amount of ITMOs that can be transferred or used should take into account if the Party is on track to meet its own NDC, otherwise transfers would lead to net increase in emissions.
- Activities with environmental and social risks should not be implemented as Article 6 activities.
- There should be safeguards; a cooperative approach with risks to human rights and rights of indigenous people should not be implemented.

Reporting

Options were identified, which are not mutually exclusive:

Initial report (see also Chair's summary note on Ensuring rapid operationalization (Articles 6.2, 6.4, 6.8))

Options were identified, which are not mutually exclusive:

- **Include more information in the initial report**

Argumentation: Information required in the regular information could be included in the initial report. This includes the information in 22 (b) in the third draft Presidency Text

Sub-options were identified, which are not mutually exclusive:

- Description of the cooperative approach, expected mitigation, how environmental integrity is addressed, contribution to the Paris goals, NDC and long-term emissions development strategies
- The authorization for the cooperative approach

- How the cooperative approach avoids negative social and economic impacts, protects human rights and indigenous peoples
- How the cooperative approach promotes sustainable development
- Information on SOP and OMGE in the cooperative approaches
- Information on how safeguards and limits are respected
- Baseline principles and guidelines for methodologies
- Include information on participation in the 6.4 mechanism
- **Clarify the timing for submission of the initial report for each cooperative approach**

Sub-options were identified, which are not mutually exclusive:

- One initial report, to be updated for each cooperative approach authorized after the initial report
- Further approaches may be added on the way (updating)
- Upon authorization, not at the time of the next BTR or time of first transfer

Annual information and annual information reports

Options were identified, which are not mutually exclusive:

- **Be specific about the date of submission**

Argumentation: The third draft Presidency Text provides for annual information to be submitted to the Article 6 database but does not specify that annual information is to be submitted annually or on a certain date for each year. The annual information reports are to be submitted only biennially with/in the biennial transparency report, but the timing is also not specified.

- **Include actual contributions to SOP and OMGE in annual information**

Argumentation: The annual information should include SOP and OMGE.

Regular information

- **Include more information to report as regular information**

Options were identified, which are not mutually exclusive:

- Provide more guidance for reporting how the cooperative approach ensures no increase in emissions
- Baseline principles and guidelines for methodologies
- How the creation and transfer of ITMOs addresses reversals, leakage and difficulties with measurement of mitigation outcomes
- Information on SOP and OMGE in the cooperative approaches
- Information on how safeguards and limits are respected
- How the use of ITMOs is supplemental to domestic action
- How the creation and first transfer of ITMOs is avoided from sectors with a high degree of uncertainty

- How the use of Article 6 respects human rights, indigenous peoples' rights, and how it contributes to sustainable development
- How the use of Article 6 does not lead to negative social and environmental effects
- The metric of the NDC and ITMOs used and any conversion undertaken and how the corresponding adjustment is undertaken, what is adjusted and in what metric.
- Information on gases and sectors covered by emissions inventories, consistent with chapter II of the Annex to 18/CMA.1, including paragraph 48 on reporting inventory data for gases covered by an activity under Article 6.

Review

Options were identified, which are not mutually exclusive:

- **Scope of review provisions need to be elaborated in the guidance, rather than left to the work programme**

Argumentation: The guidance requires additions to be implementable, in a manner that minimizes the burden on Parties and the secretariat.

Argumentation: The review should have two objectives: checking consistency of information with the guidance and the application of the TACCC principles and reviewing whether the cooperative approach is consistent with the guidance, including limits and safeguards. If the review finds inconsistency, an adjustment should be required.

Argumentation: Provisions on the format of the Article 6 review (centralized or in-country), the timing, frequency, and sequencing in the review process/cycle are needed. This must include how the review comments or outcomes are addressed such as what to do in cases where there are inconsistencies identified by the review teams and not resolved.

Argumentation: The review process should review the closing of the accounting at the end of the NDC cycle.

- **Relationship of Article 6 to the Article 13 review needs to be included in the guidance and not left to the work programme**

Argumentation: The third draft Presidency Text proposes that the Article 6 technical expert review team's report would be forwarded to the A13 technical expert review for consideration, and specification of the functions of the Article 13 review team would be needed. The sequencing of the two review processes needs to be understood and to work effectively.

Argumentation: It would be important to avoid duplication with the Article 13 review so the Article 6 review needs to be more clearly elaborated to avoid that and to ensure coordination of the two.

Argumentation: The guidance should address the outcome of the review and how that outcome forms part of the Article 13 information and whether that would be reviewed by the Article 15 committee. It should also clarify how to compile information on national reporting to inform the GST.

- **Detail on the Article 6 technical expert review teams needs to be elaborated in the guidance, rather than left to the work programme**

Argumentation: There is a need to clarify the scope of work and composition of the Article 6 technical expert review team. Details to be clarified include how many experts are to be appointed by each Party, how developing countries appoint members (this also has implications regarding capacity building and the duration of review team meetings, procedures to be followed, forms of communication with Parties and other reviewers, the role of the secretariat, the institutional arrangements.

- **Only the review of the initial report should be prioritized for this year, other elements can be left to the work programme**

Argumentation: There are elements for the review that need to be elaborated. These can be picked up in a work programme with the decision of CMA.3 providing more detail on which elements will be picked up in the work programme. Prioritize for the guidance this year the review of the initial report.

Recording and tracking

Options were identified, which are not mutually exclusive:

General

- **Recording and tracking requirements should be part of the guidance rather than work programme**

Argumentation: Modalities and procedures relating to infrastructure, including registries, the international registry, the Article 6 database and the centralized accounting and reporting platform (CARP) should be included.

- **The secretariat should provide an annual report on cooperative approaches to the CMA**

Tracking

Options were identified, which are not mutually exclusive:

- **Track all ITMOs in relevant metrics**

Argumentation: Tracking all ITMOs in their relevant metric, in a registry consistent with (the registry requirements section), for tracking creation, first transfers, transfers, acquisitions, use, cancellations, etc and report annually.

- **Track cancellations for OMGE**

Argumentation: Participating Parties need tracking systems for the purposes of tracking and recording cancellations for OMGE among other transactions listed in para 29 of the annex of the third draft Presidency Text

Specific further work

- Parties identified a need to start working this year on reporting outlines and formats, including agreed electronic formats, so that Parties can submit initial reports, annual and regular information. The point was made that the reporting outlines and formats need to be developed to accommodate all metrics and information related to quantified data on NDCs or relevant portions of NDCs. The documents should be designed in a manner that enables the secretariat to collate the information in order to support the global stocktake. 'ITMO background tables' and outlines to help Parties populate the placeholder in decision 18/CMA.1, paragraph 77 (d) (iii) and/or other reporting vehicles (e.g. the proposed initial report and annual reports) are also needed.
- The secretariat should provide information on the development of infrastructure, international registry.
- Work on developing the modalities, procedures and guidelines for the review and the timing sequencing of the Article 6 and its relation to the Article 13 review.
- A joint consultation on reporting with the Article 13 experts before COP26 may be appropriate.
- Informal technical work by the secretariat is needed to assess the implications for ambition on options that have been discussed in these informal technical expert dialogues. This includes options for use of CERs, options for setting SOP levels, options for setting OMGE levels.
