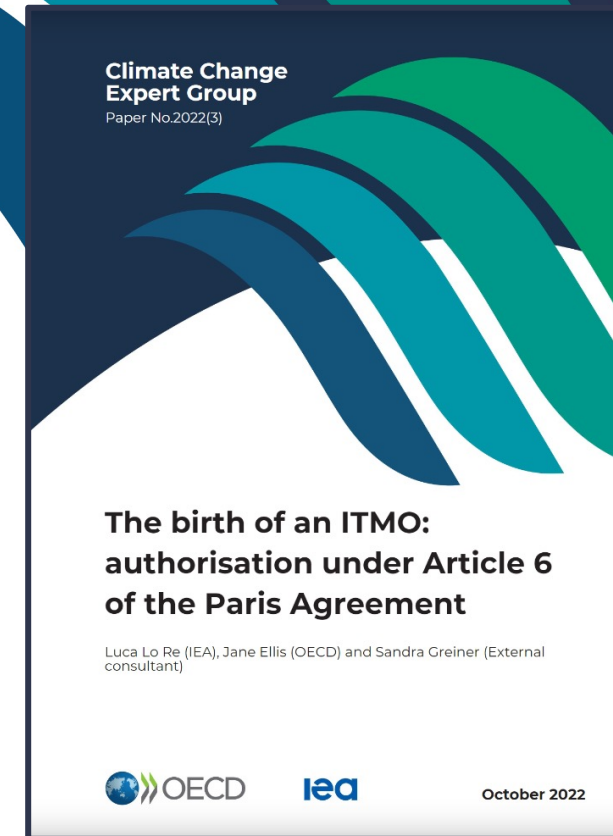


Autorisation under Article 6

Luca Lo Re (CCXG/IEA)

Based on “The birth of an ITMO: authorisation under Article 6 of the Paris Agreement”, L. Lo Re, J. Ellis, and S. Greiner (2022)





Outline

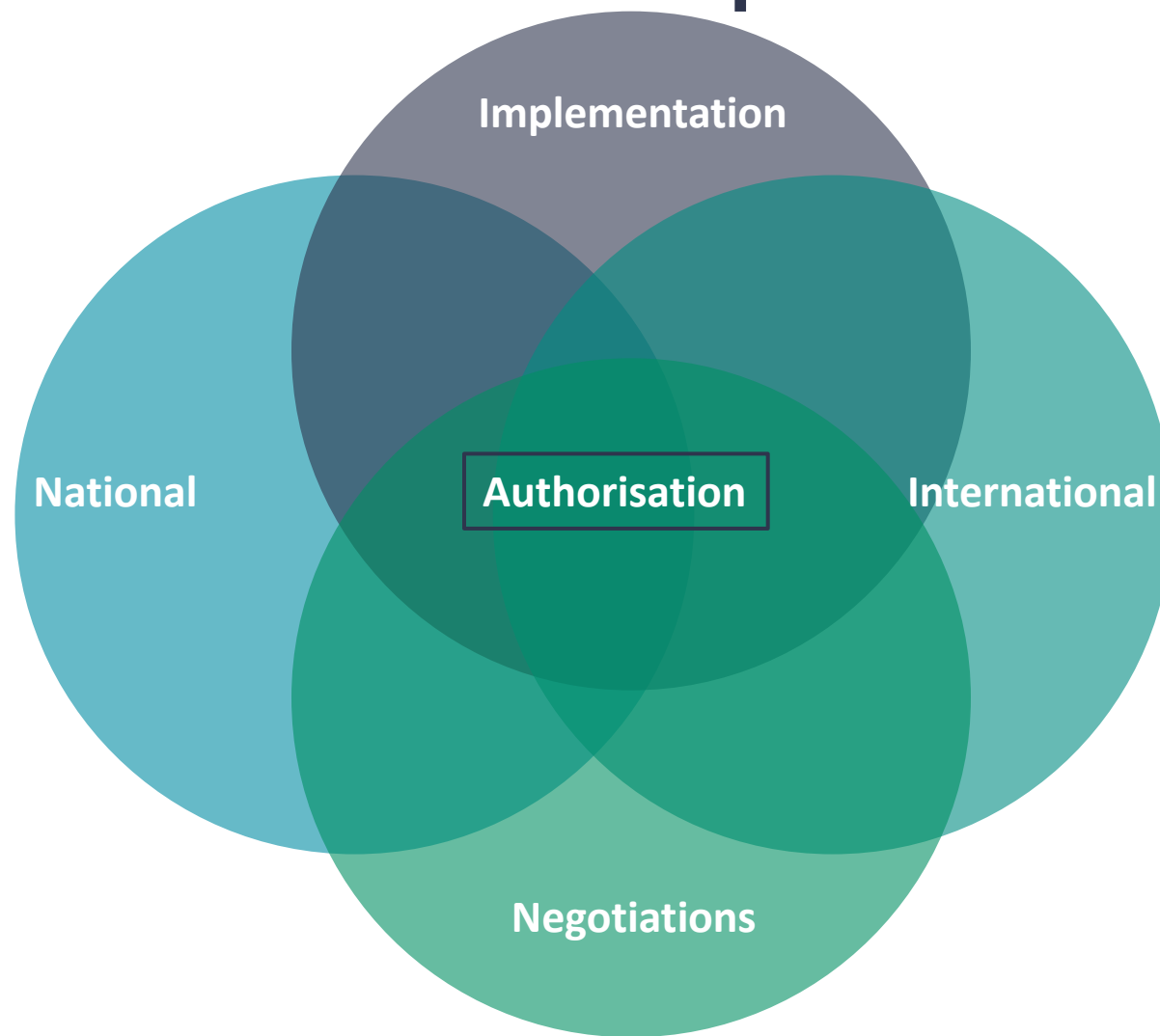
- WHY – why authorisation matters
- WHAT – what is authorised
- WHEN – when can authorisation happen
- WHAT AND WHEN – changes to authorisation
- HOW – how to authorise
- Conclusions and open questions



WHY – Why is authorisation important?

- Key aspects of authorisation:
 - **Pre-requisite** to participating in Article 6.2
 - Leads to **corresponding adjustments** for **first transferring Party**
 - Triggers reporting of **Initial Report**
- Important aspect of **Article 6.2 co-operation**, nationally and internationally...
- ... but is not clear exactly **what** authorisation applies to, **when** it occurs, whether needed by the **acquiring Party**.
- This is clearly recognised as a **priority topic**: four different international events on authorisation within the last ten days...

WHY – Why is authorisation important?



WHAT - Authorisation types under Article 6



- Under Article 6.2 guidance and 6.4 RMP, there are three type of **authorisation**:

1 Co-operative Approach

- The **co-operative approach**;

2 ITMOs for a use

- **ITMOs for a use**, i.e. towards the achievement of an NDC or towards other international mitigation purposes - OIMP;

3 Participating Entities

- **Entities** participating in a co-operative approach or in an Article 6.4 activity.

WHAT – Additional attributes of authorisation types



- Participating Parties could choose **on a voluntary basis** to include other attributes to authorisations to **enhance transparency** and **facilitate reporting** of co-operative approaches in the **Initial Report (IR)**.

Examples of other possible attributes to add to authorisation

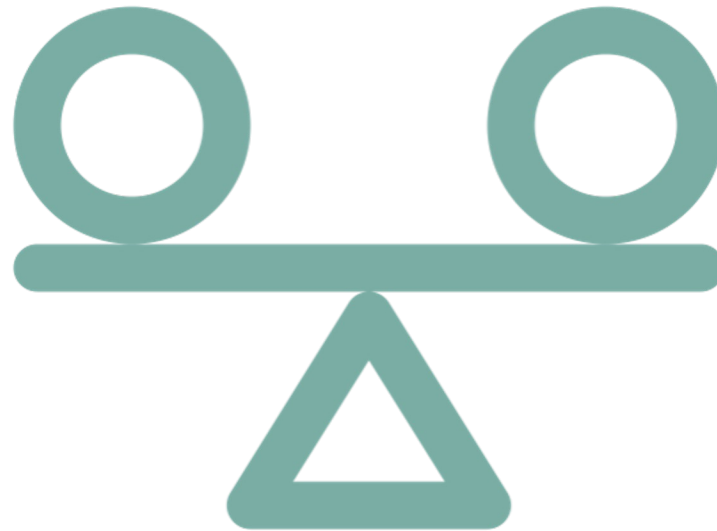
- Unique identifier
- Time limits for the creation of ITMOs
- Quantitative limits to the creation of MOs or use of ITMOs
- Identification of the mitigation activities under the cooperative approach
- Specification of applied standards and crediting baseline methodologies as appropriate
- Monitoring, Reporting and Verification Requirements
- Duration of the cooperative approach
- Specification if the transfer of ITMOs is a first transfer
- Method of application of corresponding adjustment
- Sustainable Development aspects
- Contingency on positive examination (as applicable)

WHAT - Advantages and disadvantages of including other possible authorisation attributes



Advantages

- Could enhance transparency
- Could facilitate reporting of certain elements of cooperative approaches in the Initial Report (IR)



Disadvantages

- Could increase the risk of inconsistencies between authorisations of participating Parties
- Could increase administrative burden related to changes to authorisations

Some elements defined as “other possible authorisation attributes” could also be specified in the bilateral agreement (e.g. OMGE, SOP)



WHAT – Authorisation of participating entities

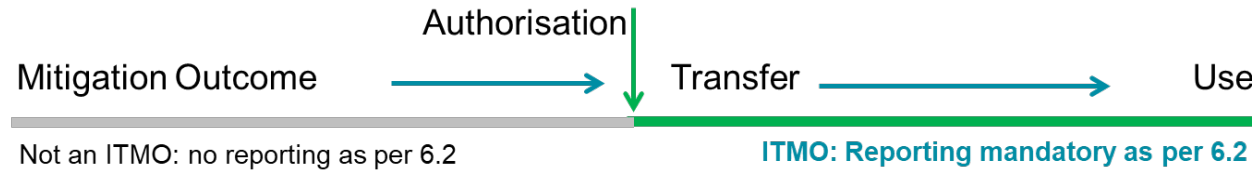
- What is the scope of the authorisation for participating entity? I.e. What is an entity authorised for?
 - To handle ITMOs?
 - To claim ITMOs (at use)?
 - Both?

Do registries track authorisations of participating entities as per para 29 (in addition to authorisation of ITMOs for a use)?

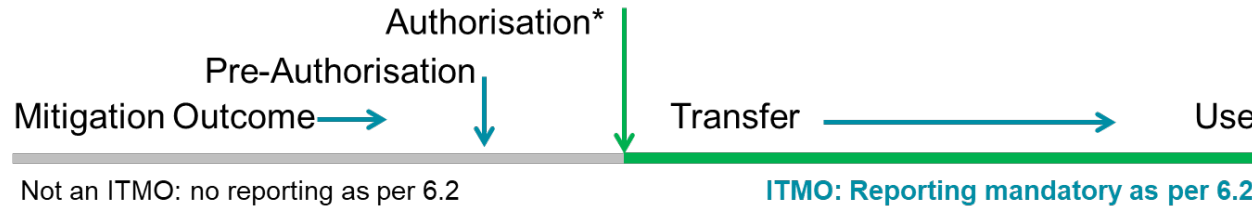
WHEN does authorisation happen? Ex-ante vs ex-post



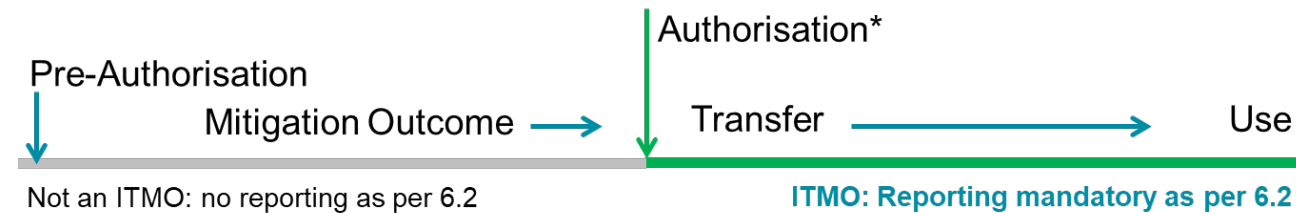
Example 1 Ex-post



Example 2 Ex-post



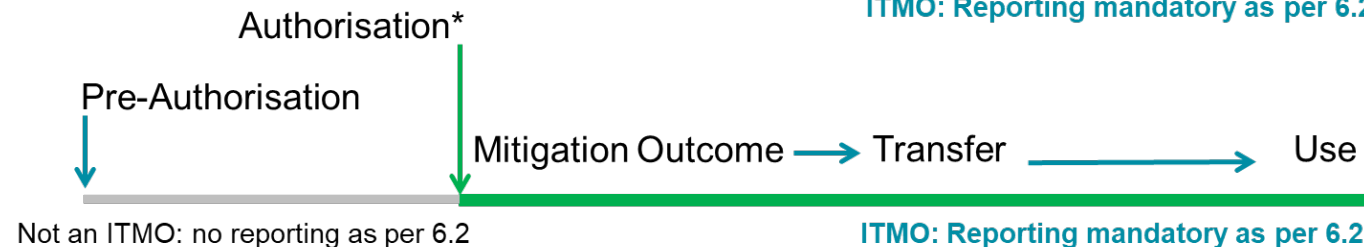
Example 3 Ex-post



Example 4 Ex-ante



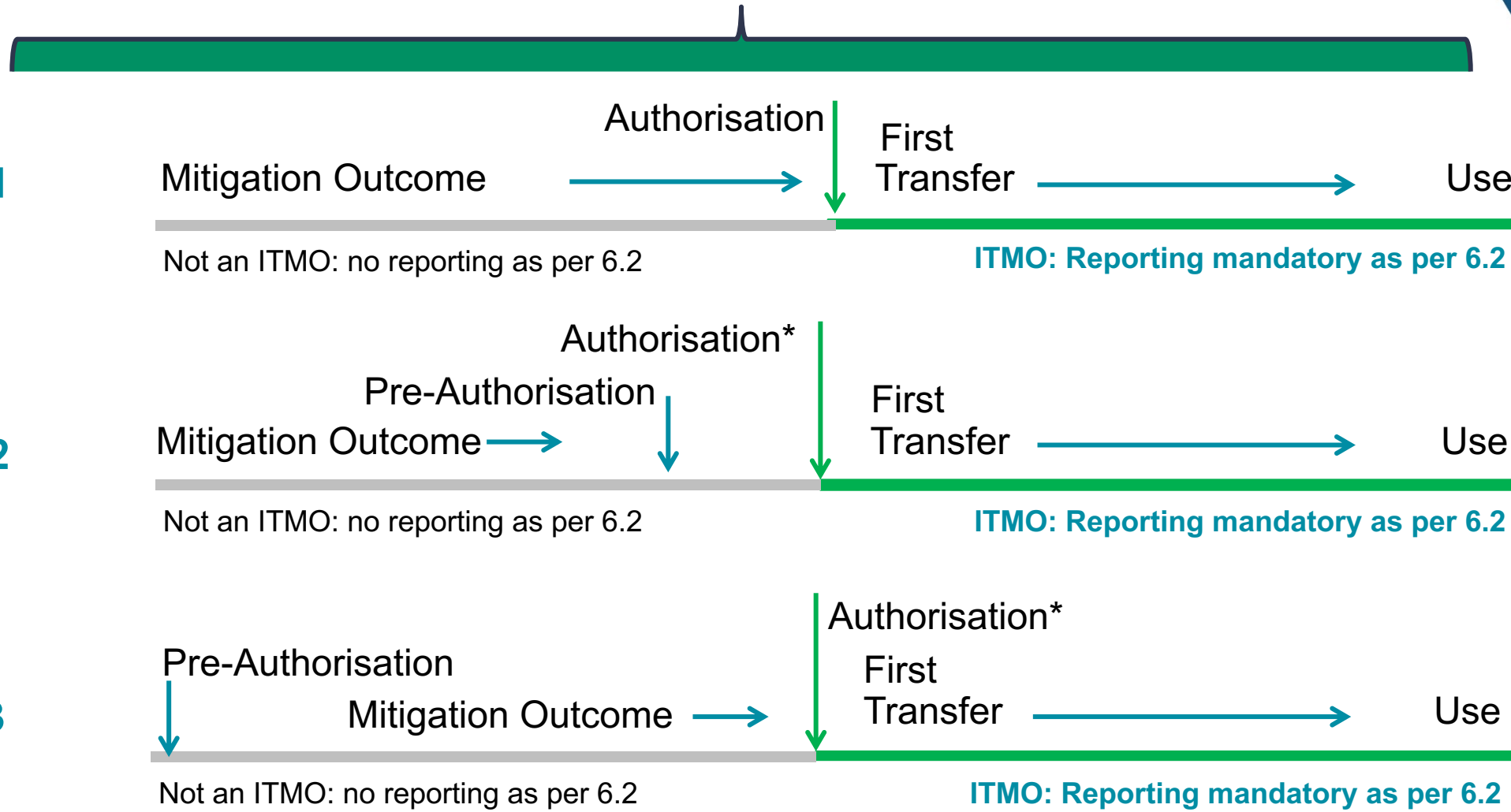
Example 5 Ex-ante



WHEN does authorisation happen? Ex-ante vs ex-post



Authorisation window for use of ITMOs



WHEN does authorisation happen? Ex-ante vs ex-post



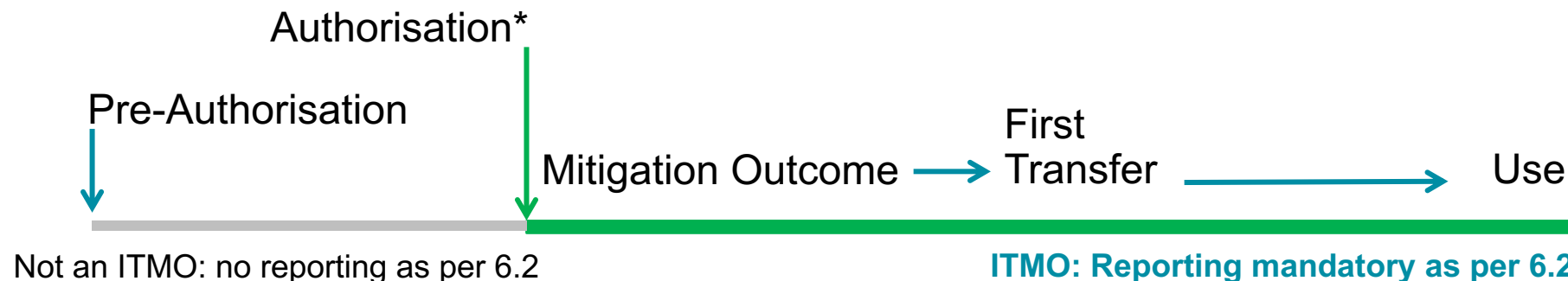
Authorisation window for use of ITMOs



Example 4 *Ex-ante*



Example 5 *Ex-ante*



WHEN does authorisation happen? Ex-ante vs ex-post



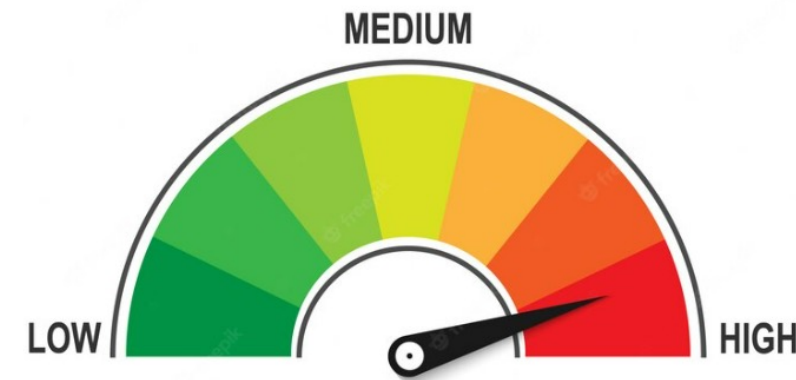
...but what is a “first transfer”?

Are Para 2(a) and (b) of Decision 2/CMA 3 enough?

WHAT AND WHEN - Changes to authorisations



- Changes to authorisations are to be reported in Parties' regular information and through the AEF
- Whether changes are needed depends on when in the MO lifecycle authorisation occurs
- Possible changes range from:
 - Administrative changes (no significant impact)
 - Substantive changes (possible impact on ITMO use, number of ITMOs transacted)
- Guidance on how to address which sort of changes would be helpful (now SBSTA mandate)



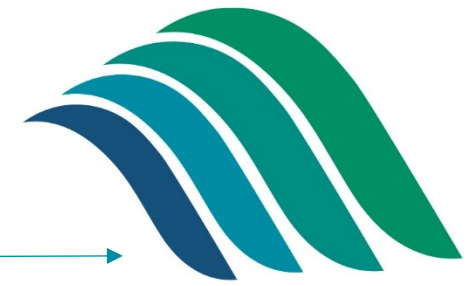
WHAT AND WHEN - Changes to authorisations



Type of change	Possible rationale for changes	Changes in:			Possible consequences
		Number of ITMOs transacted / associated financial flows	ITMO uses	Authorised entities	
Administrative changes	Changes in name of authorised entities	N	N	N	No significant impact.
Substantive changes extending scope	Extending scope of authorisation to use for both NDC and OIMP (rather than just one), adding an authorised entity	N	Y	Y or N	Possible reputational impact (positive or negative) on Parties involved, depending on specific changes made.
Substantive changes restricting scope	Political decision by transferring Party to reduce e.g. the uses of ITMOs, sectors/ gases/technologies from which the MOs originate, Decision by transferring or acquiring Party to reduce number of authorised entities	Possibly	Y	Y	Ex-post changes reducing the number of authorised entities risks reducing private sector interest/engagement in Article 6.
Substantive changes restricting level of transactions ^(*)	Political decision to revoke or suspend participation in Article 6 transactions with a given country or entity	Y	Y	Y or N	Potentially highly negative impact for the Parties involved (e.g. impact on NDC achievement) as well as for the credibility of Article 6 more broadly.

Note: ^(*) Such changes would be over and above those due to variations in activity performance, engagement to meet Article 6 participation requirements and other criteria as established in individual MOPAs.

WHAT AND WHEN – Risks associated to changes to / revocation of authorisations



ITMO life cycle



Ex-ante vs ex-post	Pre-authorisation (if any)	Creation / Issuance of MO	Transfer	Use
Ex-ante	Non-problematic	Problematic	Problematic	Problematic
Ex-post	Non-problematic	Non-problematic	Problematic	Problematic

Non-problematic
Problematic

When problematic, various implications possible – e.g. on reporting (IR), accounting (CA), uncertainty for market (or erosion of confidence in cooperative approach). Article 6 credibility at risk.

HOW - What are the possible authorisation formats?



Article 6 is
silent on
format of
authorisation

**Authorisation letter by
mandated national authority**



Short term feasibility



Lack of transparency and standardisation

Annex to law/regulation



Enhances certainty for market participants and
allows for formulation of national criteria



Significant lead time for passing a law
Lack of experience with Art 6 cooperation

**Authorisation template at
international level**



Enhances comparability across Parties and ensures
minimum information is provided



UNFCCC guidance may provide minimum requirements and Parties may add additional information



HOW - Text for minimum required elements of an authorisation under Article 6*

(*Example texts are for Party A, but can be mirrored and applied for Party B)

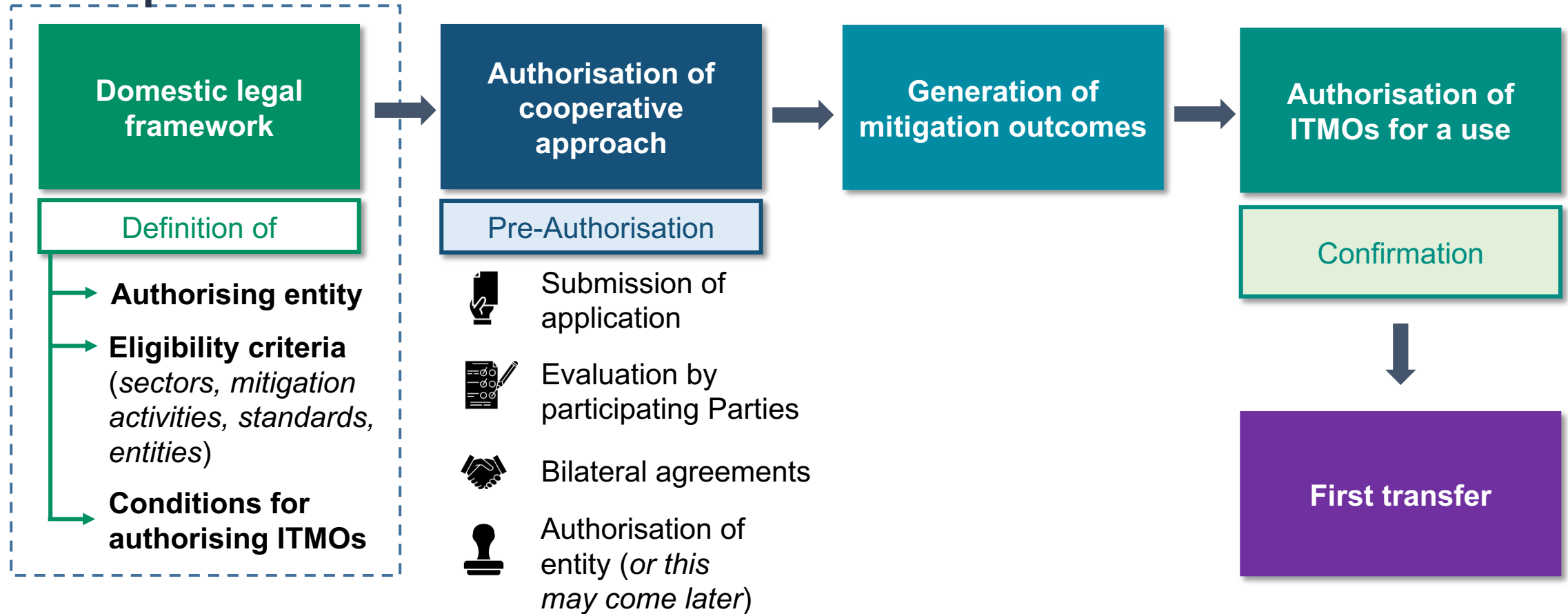
Authorisation of cooperative approach	Authorisation of an entity to participate in a cooperative approach	Authorisation of the use of ITMOs for a specific use
<i>“Party A authorises the cooperative approach [in sector/for the mitigation activity/etc] with Party B”</i>	<i>“Party A authorises [public/private] Entity Y to participate in the cooperative approach [to purchase/transact/other...]”</i>	<i>“Party A authorises the use of ITMOs [from project X registered under the carbon standard Y / under the cooperative approach] generated in Party A for use towards the achievement of [Party B’s] NDC”</i>

See Table 7 of the discussion paper: The birth of an ITMO: authorisation under Article 6 of the Paris Agreement



HOW - National processes more complex in practice

Example:





Conclusions

- **Authorisation** is at **intersection** of national and international processes, as well as negotiations and implementation
- **Many open questions** – see next slide
- **Not all questions need** answering through CMA/SBSTA **guidance** (incl. the AEF)
- Some will resolve through **Article 6 implementation / practice** (incl. the practices of the registry systems that have to record and track authorisation of ITMOs).
- Value in **exchanging experiences and best practices** (e.g. Japan's A6 Partnership)



Selected open questions

Perhaps not all need to be defined by SBSTA / CMA, some could be left for co-operating Parties to decide

Category	Selected open questions
Timing	<ul style="list-style-type: none">• Ex-ante / ex-post?• At what point of the ITMO life use towards NDC can be authorised?• Authorisation period same as NDC period?
Authorization scope and information elements	<ul style="list-style-type: none">• Minimum elements of authorisation? (i.e. what does an authorisation letter have to cover?)• Does an authorization apply to all ITMOs from a cooperative approach equally?• Multiple authorisations for ITMOs possible?• Are ITMOs from “positive lists” automatically authorised?
Changes to authorisation	<ul style="list-style-type: none">• What can be changed about an authorisation?• Can authorisation of use/s be issued/changed/revoked after international transfer?

Source: Authors with inputs from UNFCCC Secretariat, 2023



THANK YOU!

Climate Change Expert Group



<http://oe.cd/ccxg>



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